Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iraq [illegible]	Portugal Esc120
Belgium BFr48	Israel NIS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon £L250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$85
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,726 Thursday December 22 1988 D 8523 A

PROPERTY
Taiwanese burn fingers in US
Page 18

World News

Jumbo jet crash reported in Scotland

British Civil Aviation Authority was last night investigating reports that a Pan Am Jumbo jet with 255 people aboard had crashed over Scotland.

Eyewitnesses were reported as saying they saw "a huge explosion and a 300-foot fireball." Emergency services were said to be at the scene.

Israel accord

Israel's centre-left Labour Alignment approved a coalition with the hardline Likud grouping, removing the final obstacle to the formation of a government following November's deadlocked general election. A new Cabinet is expected to be presented to President Chaim Herzog and to Parliament today. Page 4

Sri Lanka challenge

Sirima Bandaranaike, defeated presidential candidate in Monday's election in Sri Lanka, said she would petition the Supreme Court to have the poll declared null and void. Page 4

Afghan rebels meet

Afghan guerrilla groups based in Pakistan and Iran are to meet to discuss strategy for a new round of talks with Moscow, in advance of the final stage Soviet troop withdrawal from Afghanistan on February 15. Page 4

IRA arms find

British police said they had found an Irish Republican Army bomb factory and arms cache in south London, following an incident in which an 18-year-old youth was shot and seriously wounded.

Plea to Red Cross

Leaders of Lebanon's two rival governments both asked the International Committee of the Red Cross to change its mind about withdrawing relief workers from Lebanon because of death threats.

Slovene party plan

A group of intellectuals in the Yugoslav republic of Slovenia announced plans to establish a Slovenian Democratic Alliance to press for a multi-party system, free elections and the preservation of Slovenia's sovereignty.

Vanuatu leader held

Vanuatu President Ati George Sokomanu was remanded in custody until January 4, in connection with a failed attempt last Sunday to swear in his nephew Barak Sope as interim prime minister.

Italian army cuts

Italy is to reduce the number of army conscripts next year by 20,000, or about 10 per cent, as an economy measure.

Debt summit call

Seven Latin American debtor countries – Argentina, Brazil, Colombia, Mexico, Peru, Uruguay and Venezuela – called for a summit meeting with the Group of Seven industrial nations to seek a cut in the region's $420bn external debt. Page 3

North trial date set

The long-delayed trial of former White House aide Oliver North, charged with illegal channelling of funds from Iran arms sales to the Nicaraguan Contra rebels, will start on January 31, a US federal judge ruled.

Paris strikes off

Maintenance workers on the Paris underground railway ended a pay strike that has paralysed the French capital's transport network for six weeks. Page 2

EC no-smoking plan

The EC Commission proposed a ban on smoking in public areas throughout the Community. It says some 220,000 people die annually in the 12 member states of tobacco-related cancers, and a similar number of linked cardio-vascular and lung disease.

Quebec ministers go

Three Anglophone ministers resigned from the Quebec Cabinet in Canada's continuing controversy over regional language rights. Page 3

Business Summary

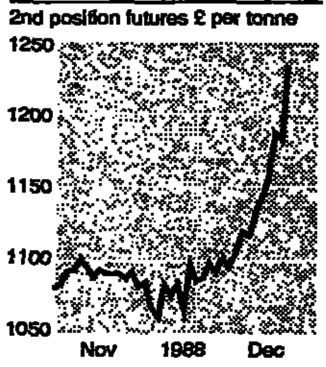
Consortium beats BA to Air New Zealand deal

CONSORTIUM including Qantas, Australian airline, has beaten British Airways in NZ$660m ($413m) bid to win stake in Air New Zealand, state-owned airline offered for sale by New Zealand Government. Winning consortium also involves New Zealand investment group Brierley Investments, American Airlines and Japan Air Lines. Page 19

COFFEE prices rocketed in London after a dramatic overnight surge in the New York market, spurred by fears of tight supplies. London Futures

Coffee

2nd position futures £ per tonne



and Options Exchange (Fox) March robusta contract opened with gains of more than £60 a tonne and closed at £1,235 ($2,220) a tonne, up £53 on Tuesday's close. Page 26

BRITISH High Court cleared way for 10 regional water authorities to invest in private water sector, in controversial ruling opening prospect of their competing with French suppliers for control of industry in build-up to privatisation next autumn. Page 18

GENERAL Motors, US automotive group, increased European vehicle production in 1988 by 5 per cent to record 1.424m units. Car production was 4.2 per cent higher at 1.387m units, while output of light commercial vehicles rose by 55 per cent to 37,600 units. Page 19

ROLLS-ROYCE, British aero engine maker, and Northern Engineering Industries, power station equipment and engineering group, announced end of talks on possible merger. Page 19; Lex, Page 18

ENIMONT, Italian joint venture chemicals company that will result from merger of state-owned Enichem and most of Montedison's private sector activities, is predicting 1989 full-year net profit of L1,050bn ($804m) on revenues of L13,300bn. Page 20

DELTA and Hawker Siddeley, two of Britain's leading electrical cable manufacturers, are merging power and general purpose cable businesses in £200m ($360m) joint venture aimed at competing more effectively on European scale. Page 6

NEW Straits Times, Malaysia's largest newspaper publishing group, has reversed three years of falling profits to report 61 per cent increase in pre-tax profits to 43.7m ringgit ($16.4m) for year ended August. Page 20

ITALIAN Government approved plans to build six power stations and increase output from four others in L3,000bn ($2.35bn) scheme to address a growing electricity shortage. Page 2

EUROPEAN Commission took first step towards liberalising life assurance markets by proposing that individuals, on their own initiative and largely at their own risk, should be allowed to take out life cover in other EC states. Page 2

PAUL Bilzerian, Florida-based corporate takeover specialist, became latest victim of US Justice Department's wide-ranging investigation into insider trading when he was indicted in New York on 12 counts of securities and other fraud. Page 3

STC, UK electronics and telecommunications group, has won $200m contract to supply half fibre optic submarine cable for planned telephone link between Japan and US west coast. Page 5

PILKINGTON, British glass manufacturer, has made cash offer for minority interests in its two publicly quoted West German subsidiaries, Flachglas and Dahlbusch Verwaltungs. Page 24

Brussels fines 23 chemical groups for fixing prices

By William Dawkins in Brussels and Peter Marsh in London

A GROUP of 23 West European chemical companies was yesterday fined a record Ecu60m ($66m) by the European Commission for illicit price fixing and production sharing in low-density polyethylene and polyvinyl chloride, two widely used plastics.

The penalties hit companies in seven European Community states – Britain, West Germany, France, Belgium, Italy, Spain and the Netherlands – together with Finland, Norway and Austria.

Worst affected were Atochem of France, which was fined Ecu6.8m, Enichem of Italy with Ecu6.5m and Britain's Imperial Chemical Industries with Ecu6m. Other companies which were fined include British Petroleum, Orkem (formerly CdF Chimie) of France and BASF and Bayer of West Germany.

The price fixing took place during the early 1980s when the chemicals sector was going through a bleak period of poor demand and low prices.

Yesterday it was unclear how many of the companies would appeal against the fines, imposed after a five-year inquiry. BASF said it would, while Atochem, BP and ICI said they were considering an appeal.

ICI, Britain's biggest chemicals company, said yesterday that over the past few years it had instigated rigorous management procedures to ensure company staff did not breach EC competition policy by fixing prices.

Together, the cartel members provided 90 per cent of the Community's Ecu3bn annual consumption of PVC, used mainly in the building industry, and 80 per cent of its Ecu3bn sales of low-density polyethylene, a raw material for plastic bags and film.

Directors of the companies involved met regularly in hotels in Switzerland to hammer out a market sharing strategy which was then passed to product managers for implementation, said Commission officials.

The aim was to establish a "posted price" which was generally accepted as the market rate from which only large customers might get a discount.

The cartel members were found guilty of contravening Article 85 of the Treaty of Rome, the EC's constitution, which outlaws any agreement designed to rig markets or otherwise distort competition, as well as Article 86, which bans abuses of a dominant position.

Yesterday's penalties came as a result of information the Commission found during another inquiry, opened five years ago. That led to a penalty of Ecu57.8m – the previous record for an EC anti-cartel fine – imposed in 1986 on a cartel of 15 producers of another kind of plastic, polypropylene.

Many of these 15 groups were also members of the latest cartel, which has proved to have included nearly three times as many members as appeared the case when the Commission opened its investigation.

The fines are a dramatic departing shot from Mr Peter Sutherland, the Commissioner responsible, who gives up his job at the end of the year.

Of possible embarrassment to the cartel members involved with PVC and low-density polyethylene is that their collusion did not appear to have a marked effect in keeping up prices in the materials, which fell gently for much of the early 1980s. In the past two years, in contrast, they have risen significantly in line with a general improvement in the chemical industry's fortunes.

Yesterday's fines would have been even higher were it not for the cartel's inefficiency and for the overcapacity still overhanging the plastics industry, said Commission officials.

London, Bonn maintain merger-control doubts

By William Dawkins in Brussels

EUROPEAN Community trade and industry ministers made marginal progress last night towards agreeing controversial EC-wide merger controls, with Britain and West Germany still registering major reservations.

Although all 12 member states tacitly agreed the principle of some kind of power for the European Commission to pre-vet potentially anti-competitive cross-border mergers, progress on details continued to move at a crawl despite significant concessions offered yesterday by the European Commission.

Mr Peter Sutherland, the Competition Commissioner behind scheme, said: "This regulation is on the road where there is no turning back."

Ms Vasso Papandreou, the Greek Deputy Trade Minister chairing the session, said there was some convergence of views and that member states agreed to speed up work towards an accord, which needs unanimous support to become law.

The Commission dropped its earlier demand that all mergers covered by the plan should be frozen automatically for a month while the Commission made up its mind whether to open an inquiry. Instead it said it would use its discretion to call for a temporary block.

The Commission also offered to double to Ecu2bn ($2.2bn) the combined turnover threshold at which merged groups would be obliged to seek advance clearance from Brussels.

That still fell a long way short of British and German demands for an Ecu10bn threshold, dismissed as excessive by Mrs Edith Cresson, the French European Affairs Minister.

France also wants higher thresholds, but yesterday emerged as the member states' leading advocate for a quick agreement. Mrs Cresson said the scheme would give EC companies valuable help in overcoming national objections

Continued on Page 18

Soviet Foreign Minister Eduard Shevardnadze (left) being greeted by Mr Raul Manglapus of the Philippines.

Shevardnadze opens talks in Philippines

By Richard Gourlay in Manila

MR Eduard Shevardnadze, the Soviet Foreign Minister, arrived in Manila yesterday for the closest talks between Moscow and one of Washington's most important Asian allies than at any time in past decade.

President Corazon Aquino of the Philippines has played down the importance of the visit, saying it was "more social than business," but Mr Raul Manglapus, her Foreign Secretary, called it "timely" and a sign that his Government was overcoming the anti-Soviet "biases that date from the Cold War."

The visit is the latest attempt to breath life into the Vladivostok initiative of President Mikhail Gorbachev to build stronger trade and diplomatic ties with a region it long neglected diplomatically. Mr Shevardnadze left Tokyo yesterday with no sign that the Soviet Union or Japan were prepared to yield any ground in a territorial dispute over some northern islands that has stood in the way of close diplomatic relations since the Second World War.

Mr Shevardnadze said there was a great deal to be discussed on the prospects for bilateral relations and the "situation" in the Asian Pacific region.

Some Western and Asian diplomats believe Moscow sees the Philippines as the weak link in a US chain of regional dominance that stretches from bases in Japan and South Korea to Diego Garcia in the Indian Ocean. They believe Moscow is encouraging the Philippines to move towards non-alignment and away from Washington before negotiations on the future of the US bases in the Philippines after 1992, when the lease runs out.

Mr Shevardnadze is likely to repeat an invitation for Mrs Aquino to visit Moscow before or during negotiations of the bases, Western diplomats say. Philippines officials say a decision on whether Mrs Aquino will accept will be taken in January.

Efforts to improve trade and open investment opportunities for Moscow are also on the agenda. In the face of stiff opposition from the military led by Mr Fidel Ramos, the Defence Secretary, the Aquino Administration adopted a policy earlier this month to encourage economic ties with the Soviet Union. A Soviet request to be allowed to use ship-repair facilities at Philseco, within sight of the US's Subic Bay naval base, has been rejected by the Philippine military after strong pressure from Washington.

● Mr Shevardnadze left Tokyo talking about "a new chapter in Soviet-Japanese relations" but his Japanese hosts were distinctly less buoyant.

However, apart from the territorial issue, both sides seemed to be trying hard to please. The Japanese had passed legislation to keep noisy right-wing demonstrators off the streets. The Soviet side offered to allow more Japanese visits to graves of relatives in the disputed islands. Both sides agreed to meet more often.

Nevertheless, there did not appear to be much progress towards intensifying trade or industrial contacts. Mr Shevardnadze offered various proposals, but the Japanese refused.

Tokyo visit, Page 4

Soviets abandon plan to raise £1bn trade credit

By Peter Montagnon, World Trade Editor, in London

THE Soviet Union has abandoned plans to raise a £1bn ($1.82bn) trade credit facility from British banks and is now concentrating on signing fresh bilateral arrangements with individual institutions.

This was the conclusion being drawn in the City of London last night after Barclays Bank of the UK said it had signed a new deal with the Bank for Foreign Economic Affairs under which existing credit lines worth some £120m would be extended for 12 months on revised terms.

Barclays was one of the seven UK banks which entered negotiations with Moscow for a £1bn credit in a blaze of publicity in October

Among other banks in this group, Lloyds is due to sign a deal today replacing a previous facility of £200m. Moscow Narodny, Morgan Grenfell and Bank of Scotland, which share a representative office in Moscow, will also sign similar arrangements.

The decision by the Soviet Union to revert to its practice of negotiating individual trade finance arrangements has sent a clear signal to the market that it is no longer interested in negotating the jumbo credit which at the time appeared to be part of a concerted international borrowing effort to finance economic reform.

The UN Economic Commission for Europe calculated last month that as much as $10bn equivalent of such finance was in place or under negotiation, but the only credit lines which have actually been signed are a DM3bn ($1.7bn) deal from German banks and an Ecu680m ($748m) arrangement from Italy.

Bankers said they believed the Soviet Union backed away from further arrangements because it did not need to raise so much money and was worried by the publicity they were generating. It has not previously been part of Soviet practice to borrow heavily to finance imports, especially in the face of a weak oil price.

The UK case was further complicated by the reluctance of some banks to go along with a major deal. However, in arranging their new individual facilities, British banks have persuaded the Soviet Union to accept a broad range of currencies.

Montupet to create 1,000 jobs with West Belfast investment

By Our Belfast Correspondent

MONTUPET, the French car components company, is to take over the former De Lorean car plant in Northern Ireland in a project which will create more than 1,000 jobs in the unemployment black spot of West Belfast in Northern Ireland.

The decision, announced yesterday, is the most significant boost to the province's economy in recent years.

Montupet is setting up a high-technology aluminium foundry and toolroom facility to make cylinder heads, primarily for Ford Motor's new engine plant at Bridgend in South Wales. The foundry will start production in early 1990 and aims to be turning out 120 tons of aluminium castings a day by 1994.

The £90m ($163.8m) investment is the biggest single project secured by the Industrial Development Board, the province's main jobs creation agency, and the biggest single initial investment by any overseas company in Northern Ireland.

Government financial assistance covers an estimated 40 per cent of the capital cost of the project.

France and Portugal were among other European companies prepared to give firm financial guarantees to secure the project. Montupet also considered the Republic of Ireland.

The company said yesterday that the potential quality of the Northern Ireland workforce and the availability of a suitable factory building proved decisive.

The foundry will employ 920 people. Montupet is also to set up a toolroom operation at a different Northern Ireland site, employing 110 people making the moulds needed in the casting process.

Ford played a leading role in bringing the project to Northern Ireland, but the factory will also produce components for other leading car makers.

Montupet has plants in France, Canada and Spain, supplying Renault, Peugeot, Saab, Fiat and Opel and others. It had sales of £100m last year.

Mr Stephane Magnan, Montupet chairman, said the De Lorean factory site was the best in Europe for the foundry project. "A major factor in our decision was the potential quality of the workers," he said.

"We shall require some skilled workers but our policy is also to recruit from among the unskilled even they have no experience of our industry."

Mr Tom King, Northern Ireland Secretary, paid tribute to Ford for the way in which it had assisted in the negotiations.

Politicians of all parties and industrialists gave the project a warm welcome.

Mr Gerry Adams, Sinn Fein MP for West Belfast, said it was a first step towards reversing the job crisis in his constituency.

Dr Joe Hendron, of the Social Democratic and Labour Party, said Montupet had given

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CONTENTS

Breeding the right watchdog to monitor Hong Kong's exchanges

Robert Owen, the new head of Hong Kong's Securities and Futures Commission finds that the stock exchange considers it will be over-regulated and that the new body is under attack over its controversial powers Page 4

Bundesbank highlights inflation fears

By Andrew Fisher in Bonn

WEST GERMANY'S central bank, the Bundesbank, yesterday underlined its commitment to price stability by stating firmly that its modest tightening of the monetary screw was aimed at preventing high domestic liquidity from exerting a "virulent" effect on inflation.

The bank's comments in its monthly report came the day after the Organisation for Economic Co-operation and Development (OECD) emphasised the need for industrialised countries to keep inflation under control at a time of strongly rising output.

In Germany, the Bundesbank said, domestic demand had risen faster than expected because companies and individuals had plenty of liquidity. So successful had industry been in winning new orders that manufacturing companies were operating at capacity levels similar to the high growth years of 1973 and 1979.

At the same time, private consumption is also advancing smartly. In the first nine months, sales of goods in Germany were 4 per cent higher in real terms than in 1987.

Mr Karl Otto Pöhl, president of the Bundesbank, noted last week when announcing the 1989 money supply goal that there was too much money rather than too little. "The economy is swimming in money." Thus the time to inhibit inflation was now rather than later, "when we would have to bring out the big hammer."

At 1.6 per cent last month, inflation has hardly reached an alarming level by most countries' standards.

Excluding energy, the bank said, goods had become markedly more expensive in Germany, both at the producer and consumer level. On this basis, consumer prices rose at a seasonally adjusted annual rate of 2.7 per cent in the past six months. Industrial producer prices (also excluding energy) in August-October rose by a seasonally adjusted and annualised 4.5 per cent and were 2.8 per cent above the level of last year.

Last week, the central bank said it would aim to keep money supply growth at "about 5 per cent" next year after nearly 7 per cent in 1988, for which the target range is 3 to 6 per cent. As Germany enters what economists expect to be its seventh straight year of economic growth, concern about overheating and capacity bottlenecks is increasing. The 1988 economic growth rate of some 3.5 per cent is the highest this decade, though 1989 is likely to see a slow down to between 2 and 2.5 per cent.

EC ministers give go-ahead for machinery standards

By William Dawkins in Brussels

COMMON safety standards for the Ecu120bn (£83bn) European Community market for engineering machinery yesterday received the preliminary go-ahead from the EC's Trade and Industry Ministers.

The scheme will oblige member states to give free market access to any machine that complies with a short list of basic safety requirements. It covers an enormous list of products from machine tools to food packaging and processing machinery.

It was the biggest breakthrough among the 15-odd market opening measures given final or preliminary clearance at yesterday's hectic meeting.

The machinery plan is the most ambitious example so far of the Community's new strategy of setting brief general requirements for industrial goods, in place of the enormously complicated EC technical standards of the past.

Machinery producers would be left to certify for themselves that their products comply directly with the Community's so-called essential requirements, or with national standards that fit in with the EC rules.

The same freedom would not apply to unusually dangerous machines like wood saws. These would have to be certified by authorised inspection bodies.

The machinery proposal now has to go the European Parliament for debate before coming back for Ministers' final adoption. This should take place early in 1989.

The new approach to industrial standards is an important part of the EC's internal market plan and now applies to construction products (adopted yesterday), toys, pressure vessels, and electromagnetic goods.

As expected, ministers gave final clearance yesterday to rules allowing professionally qualified people to practise in any member state, due to take effect in 1990.

Also agreed were a package of food safety rules. However, one of them, setting common inspection procedures, was sent back to national officials for more technical work in preparation for agreement at a ministerial meeting next year.

Thatcher to visit Kohl

By David Goodhart in Bonn

MRS Margaret Thatcher, UK Prime Minister, is expected to visit the home of Mr Helmut Kohl, West German Chancellor, during the next Anglo-German summit at the end of February.

The visit to Mr Kohl's home in Ludwigshafen is partly designed to challenge the idea the two leaders do not like each other. Officials believe the February meeting is an important opportunity to dispel talk of a growing distance between the two countries on matters ranging from the EC to East-West relations.

Mrs Thatcher's visit will come a short time before Mr Mikhail Gorbachev, the Soviet President, is due in West Germany, and the Prime Minister is likely to press the view that Bonn must decide quickly in favour of modernising short-range nuclear weapons.

British officials are irritated by the relative lack of publicity that Anglo-German relations receive, compared with the recent initiatives in Franco-German relations. It therefore seems likely that some publicity-attracting announcement will be made.

The last bilateral meeting of the two leaders was at Chequers last July.

● Britain's trade deficit with West Germany is expected to top DM 20bn (£6.25bn) in the current year, up from DM 16bn last year, according to officials of the UK's commercial consulate in Frankfurt.

The UK's share of West German imports is hovering around 7 per cent but on a slight downward trend. The actual figure for imports from the UK in the current year is expected to be about DM 29bn (DM 24bn excluding oil), putting the UK behind France, Holland and Italy but above Belgium, the US and Japan.

The West German share of UK imports is about 8.8 per cent and on a rising trend.

Shevardnadze admits need to improve human rights record

By John Lloyd in Moscow

MR Eduard Shevardnadze, the Soviet Foreign Minister, has acknowledged that an improvement in his country's human rights record is much needed.

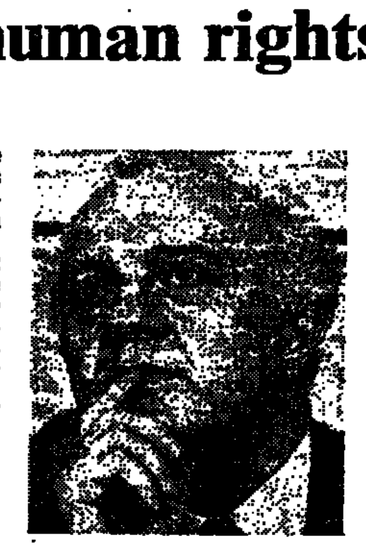
He told Moscow News that two draft laws on rights will be introduced early next year: one covering emigration and immigration, and another on freedom of conscience. "It is no secret that there are still shortcomings in our observance of international agreements on human rights," he added.

He said that fear of foreign intervention had stopped the Soviet Union recognising human rights treaties and organisations before, but that the experience of arms control inspectors had shown how wrong that view had been.

His ministry was to institute a major study early next year on international standards and guarantees of human rights.

Instancing a number of issues raised by Mr Mikhail Gorbachev, the Soviet leader, at the UN two weeks ago, Mr Shevardnadze said he was being pressed to define how Moscow's proposed cut of 500,000 troops would be effected; where they would be withdrawn; and whether old or new tanks would go.

A precise plan on the cuts would, he said, be prepared early next year. Repeating the Soviet intention to apply for membership of the IMF, Gatt and the International Bank for Reconstruction and Development, Mr Shevardnadze said: "We will need to secure the support of the participating members of these influential institutions of the world economic community."



Shevardnadze: new laws

He said that the Armenian earthquake had shown the world that Soviet policy actually had changed – because foreign countries could give support and the USSR could ask for it.

"We accepted the hand of friendship and showed other countries that our proclaimed new human values are not empty."

● Soviet and US diplomats are continuing to engage in intensive talks and correspondence over the terms on which the West would accept Moscow as the venue for an East-West human rights conference, writes Judy Dempsey.

Moscow has stopped insisting on Western assent to the conference as a precondition for ending the current East-West talks in Vienna, but it still wants to host the meeting.

The US is seeking confirmation that remaining political prisoners will be released. Washington also wants assurances that the cases of people in psychiatric institutions or those charged under notorious articles of the Criminal Code will be reviewed. It is also pressing for more Soviet Jewish refuseniks to be allowed to emigrate.

Some Western countries at the Vienna meeting of the Conference on Security and Co-operation in Europe (CSCE) fear Washington may "water down" its preconditions for attending the Moscow conference on grounds of expediency. Both superpowers want the CSCE talks to end before January 20 when the new US administration takes over.

Canada, backed by Britain, is stressing that *all* long-term refuseniks must be allowed out, including those held back on grounds that they had sensitive jobs. In addition, London and Ottawa want Moscow's changed human rights policy to be translated into legislation.

Inquiry into charges of nuclear exports

By David Goodhart in Bonn

THE West German nuclear industry yesterday struck fresh controversy when the state prosecutor in the town of Hanau announced he was investigating the company Neue Technologien GmbH on suspicion of illegally exporting nuclear materials to Pakistan, India and South Africa.

The prosecutor's office is investigating allegations that the company sold to Pakistan quantities of tritium, which is used in the manufacture of nuclear weapons. The company issued a statement specifically denying that allegation.

The company's operating licence has been withdrawn by the Hesse state administration and the Government has taken the matter seriously enough to establish a cabinet committee to oversee the investigations.

The company, which is based in Gelnhausen, Hesse and employs about 80 people, is suspected along with its sister company Physikalisch-Technische Beratung, of having illegally exported the materials between 1982 and 1988.

This latest controversy in the nuclear industry follows last year's investigation into illegal shipments and stockpiling of nuclear waste by the company Nukem GmbH and continuing public anxiety about the safety of the country's 22 nuclear power stations which generate 38 per cent of Germany's electricity needs.

Public sensitivities were reawakened earlier this month by the revelation that a potentially serious accident at the Biblis nuclear power plant had been kept quiet for nearly one year. Yesterday the manager of the plant stood down following the public outcry over the level of incidents that contributed to the near-accident.

Both Biblis's reactors will now be closed until early next year to undergo further inspections and a report on the incident from Mr Karlheinz Weimar, the Hesse environment ministry, is due with the Federal environment ministry on January 5. It is not expected that Biblis, owned by the RWE utility, will have its licence revoked.

Athens arms scandal gains momentum

By Andriana Ierodiaconou in Athens

THE GREEK Socialist Government, still reeling from the scandal involving former banker and press baron Mr George Koskotas, appeared threatened from a new direction yesterday as an investigation into defence-related financial irregularities gained momentum.

Mr Vassilis Rotis, the Justice Minister, instructed a magistrate to investigate charges of financial irregularities related to the 1986 purchase of 40 French Mirage-2000 fighter aircraft and Magic II missile systems.

The charges were levelled by Mr Stathis Yiotas, who resigned as Deputy Defence Minister last week saying he had been a first hand witness to extensive corruption related to defence procurement contracts and weapons exports.

On the basis of evidence submitted so far by Mr Yiotas, charges of fraud have been formally filed against Mr Stamatis Kampanis, a former managing director of the state-controlled Hellenic Arms Industry (EBO). Mr Kampanis was remanded in custody yesterday when he surfaced after a three-day disappearance.

East-West contest begins to shift to the political arena

IT IS BOTH agreeable and plausible, at this Christmas season, for people in the West to take satisfaction from the turn of events on the international scene.

Economies are booming, wars are ceasing, armaments are being cut, threats are receding, and empires are gently disintegrating. Even the United Nations seems at long last to be performing a useful function, and if there is any reliable portent of a new heaven and a new earth, this must be it.

Perhaps all is not yet for the best in the best of all possible worlds. Your view may be adversely influenced if you live in Armenia, or Sri Lanka, or Peru, or Chile, or Yugoslavia, or Kampuchea, or Iran, or Lebanon, or a few dozen other places. But for most readers of the Financial Times, there must be a severe temptation to believe that, for the first time in living memory, all the most important chart lines are pointing harmoniously and reliably upwards.

This Panglossian view is not entirely unreal nor wholly unreasonable. On any secular scale of global events, the processes started by Mr Mikhail Gorbachev, the Soviet leader, represent a turning point in history, and potentially an enormous improvement on anything seen since the revolution.

What is particularly interesting about Mr Gorbachev's new thinking, however, is not just that it has launched the Soviet Union on a political pilgrimage of uncertain destination, but that it will combine with other factors in western Europe, to alter the agenda of ideological debate over the values and management of western society.

Since arms control is proving the leading instrument for an improvement of East-West relations, it naturally calls for an ongoing western reassessment of military threats and military requirements in which prudent governments will warn us not to give way to premature euphoria. But the real implications of valuable arms control agreements would be much less military than political.

Not merely would the military threat be reduced, but the military factor would start to occupy less space than the political factor in the East-West relationship. No doubt, the Soviet Union would remain an adversary; but the focus of the contest would have to be political.

On the record, western countries are undoubtedly well placed for any political contest with the Soviet Union. Their economies work much better, their political systems are more stable and more humane, and the efficiency of their economic systems has much to do with the relative fairness of their political systems.

But in the past the contest has only been a walk-over because the Soviet Union has compounded its failures by denying their existence. Once Mr Gorbachev abandoned "newspeak", admitted the more glaring defects of the system, and appeared to encourage some of the political values recognised by the West, then the balance of advantage in the moral argument shifted radically.

In practice, the gap is still vast; but from his vantage-point as a radical reformer, Mr Gorbachev has reduced the odds in any debate with the West.

In the conventional arms negotiations in Vienna the West naturally wants to use all the leverage conferred by the 1975 Helsinki agreement. Yet it is not obviously in western interests to draft a list of specific human rights demands, as the price for holding a human

IAN DAVIDSON
ON EUROPE

rights conference in Moscow in 1991.

It would imply tacit acceptance of any practices *not* specified in the list; and would invite the Russians to reply in kind. Human rights are incomparably better respected in Britain than in the Soviet Union; but the record is not spotless, and some of Mrs Thatcher's recent tightening up of Britain's security arrangements is blatantly illiberal.

The influence of Mr Gorbachev's political and economic reform process on Europe's human rights agenda, however, goes beyond the the narrow orbit of East-West negotiations. Between perestroika and glasnost on the one hand, and the transformation of the face of western Europe through the creation of a single market, there is a dialectic with multiple repercussions.

Mr Gorbachev's objective, like that of Alexander Dubcek 20 years ago, may be Socialism with a human face; the challenge facing western Europe is capitalism with a human face, or at least a capitalism which respects those social factors which are an intrinsic part of the European model.

The antithesis between events in western Europe and those in the Soviet Union is so vast that the parallel may seem strained, even frivolous: Mr Gorbachev's perestroika is the product of weakness, Europe's Single Act a sign of strength. Nevertheless, there is a central issue in common: what is at stake in the transformations lying ahead, is a struggle over the nature of the political system.

One symptom of this struggle is the recurrent controversy over the question of whether the EC should have a "social" dimension. Mr Jacques Delors, President of the Commission, and a number of member governments, say it should, and Mrs Margaret Thatcher, the British Prime Minister, is determined that it shall not.

In practice, this controversy is quite unnecessarily heated, since there is no chance that the Community can go much further than drafting health and safety rules. But the argument is symptomatic of attitudes of mind.

Faced with the prospect of the furnace of the single market, interest groups are forming to press their demands. A week ago, Europe's employer organisations issued a "Common Declaration" on the kind of Europe they want to see; last weekend, Europe's anti-racist lobbies launched a "Charter of Equality" calling for improved civil rights for immigrants. Neither document will be the last word on anything; but both the employers and the immigrants can see that the new Europe is likely to have a decisive impact on their interests.

The French right seems to believe that there is a profound incompatibility between the single market and the aims of the socialist government. "Europe or Socialism: Mitterrand must choose", was the front-page headline on the Republican Party magazine Le Libéral.

The socialism of President Mitterrand today is, of course, a far cry from his policies of nationalisation and "social progress" seven years ago. Yet even this more moderate socialism is untenable, according to Le Libéral, because the logic of the single market will ineluctably drive down taxation and therefore public spending.

If there is a risk in the single market, it is not the domination of some vast confederation of trades unions, but instead: that it will shrivel the ability of governments to sustain those public welfare activities, such as health, education and infrastructure, which are a valued part of the fabric of European society.

Ultra-liberals may welcome such a development, but it would contain two dangers. Ordinary voters may turn decisively against a Europe of the bosses; and western Europe, by abandoning the most characteristic features of its social organisation, may cease to be a model and an influence on eastern Europe and the Soviet Union. If the West has a model for human rights, it was developed in Europe.

Spanish PM bows to unions on youth plan

By Peter Bruce and Tom Burns in Madrid

MR FELIPE GONZALEZ, Spain's socialist Prime Minister, yesterday bowed to intense trade union pressure and agreed to withdraw a controversial youth employment plan that sparked a paralysing 24-hour general strike last week.

In his most important policy reversal in his six years in power, Mr Gonzalez also hinted before a packed Cortes (parliament) in Madrid that the Government might also introduce a new, more expansionary, 1989 budget in order to meet a series of other union demands made the day after the strike, which kept 8m people away from work on December 14.

Meanwhile, in an interview, Mr Antonio Gutierrez, leader of the communist trade union, the Comisiones Obreras, which organised the strike with the socialist UGT union, has warned that a cosmetic response to the union demands would be a "historic error" by the Government, saying that "the strike completely undermines the politics that Felipe Gonzalez represents."

Mr Gonzalez, whose conciliatory tone during yesterday's emergency debate on the strike appeared to mark a recognition of union and opposition charges his Government acted arrogantly while in power, nevertheless ruled out holding an early general election as a "way out" of the Government's present political dilemma.

The unions kept up the pressure on the Prime Minister, however, and insisted yesterday that they would not accept an invitation from Mr Gonzalez to attend a meeting in his office today with the country's main employer's body, the CEOE, to discuss employment policy alternatives.

The unions have insisted on holding bilateral talks with the Government first, in which they could discuss the five main demands made after last week's strike.

Mr Gonzalez said yesterday the Government would shelve a plan to find first jobs for 800,000 school leavers in the next three years by subsidising employers to take them on at minimum wages and on short term contracts.

Italy approves plans for six power stations

By John Wyles in Rome

THE Italian government yesterday approved plans to build six new electric power stations and increase output from four others in a L3,000bn (£1.2bn) scheme to address a growing power shortage.

The programme has been in limbo for more than a year following the November 1987 referendum which effectively abandoned nuclear power as a generating option. The country is already importing more than 10 per cent of its electricity and this is likely to rise.

Yesterday's decision is intended to add another MW3,000 to existing capacity, with some of the increase due to come on stream after two years.

The plan consists of an expansion of capacity at four gas-fired stations in Lombardy, Campania, Calabria and Sicily, and the construction of four new plants on sites originally earmarked for nuclear stations in Piedmont, Lazio and Calabria. An additional two sites have been chosen for gas and gas/steam powered stations in Molise and Puglia.

The government has also approved the extension of a special supplementary tariff proceeds from which will be directed to meeting some of the costs of building the extra capacity needed to cover the loss of nuclear generated electricity.

Brussels edges forward on life assurance

By David Buchan in Brussels

THE European Commission yesterday took a first step towards liberalising the highly regulated European life assurance market by proposing that individuals, on their own initiative and largely at their own risk, should be allowed to take out life cover in other EC states.

This latest draft directive includes the same controversial foreign "reciprocity" clause as the Commission has already proposed for the banking sector. This provides that any non-EC insurer, wishing to establish or acquire a subsidiary in the EC after the directive comes into force, must first show that similar access exists for EC insurers in its home market.

However, the Commission postponed until next year consideration of a separate directive on reciprocity in insurance generally. Lord Cockfield, the departing internal market commissioner, successfully argued that foreign sensitivities were already sufficiently inflamed.

Yesterday's "own initiative" life insurance proposal, which requires EC governments' approval and would enter into force two years after that, is to be followed next year by a Commission plan to allow group pension schemes to place life risk with insurers in other EC states.

Later still, the Commission plans proposals for the harmonisation of EC life companies' reserves, rules and conditions that would eventually permit an insurer to underwrite all life risks across the Community, simply on the basis of control by that insurer's home country.

The Commission is following a European Court of Justice ruling two years ago that liberalisation – in life, non-life and car insurance – should come first for those companies and individuals who, by virtue of their size or professionalism, least need protection. Such freedoms will come last for the man in the street.

At present, France, Italy, Spain, Greece, Portugal and Ireland do not allow their citizens to place their life cover abroad. Belgians, Luxembourgers and Danes can do so, but without protection of their national law. Only Britons, Germans and Dutch already get full national legal sanction to seek foreign life insurance policies at their own initiative.

The most likely product to be traded, under the new directive, is term assurance, the payment of a lump sum on death, because it is the simplest and also the one with the greatest price differences within the EC.

Fines unlikely to dampen spirits of EC chemical producers

By Peter Marsh

THE FINES totalling £39m imposed yesterday on 23 leading Western European chemicals producers – assuming they are allowed to stand – are unlikely to dampen the industry's holiday festivities.

The fines were levied by the European Commission after a five-year inquiry into allegations of illicit price-fixing for two key types of plastic.

Their impact will be muted by the fact that 1988 has been a boom time for the chemicals sector, in which many of the companies affected have chalked up record profits.

Yesterday it was still unclear what the reaction of all 23 companies – which include giant businesses such as Britain's ICI, BASF of West Germany and Italy's Enichem – would be.

BASF said it would appeal against the fine, taking the case to the European Court if necessary, and some others said they might follow suit.

The irony is that the alleged offences, which according to Brussels involved the 23 chemicals companies in formation of secret cartels to keep up prices of polyvinyl chloride (PVC) and low-density polyethylene, date to a bleaker time for the business.

That was during the early 1980s, when the chemicals sector was suffering badly from slack demand and overcapacity.

Since the inquiry started, the industry has moved into a much healthier period when the fines will be easy to brush off.

The fines are also a warning that – should Western Europe stumble over the next few years into an economic recession and demand for chemicals decline – Brussels would take a stern line on any future moves by the industry to limit competition.

The turnround in fortunes for the chemicals industry in the past few years has been especially marked in the plastics sector.

This business – which in Western Europe accounts for about a sixth of the industry's £170bn annual output – is dominated by a small number of high-volume, relatively cheap materials, of which PVC and low-density polyethylene are two of the most important.

Western Europe this year is likely to make about 5m tonnes of either material, worth roughly £6bn. Demand for the two substances has been strong in the past two years.

The price of PVC in Western Europe has increased by nearly 40 per cent over the past five years to about £560 a tonne. Low-density polyethylene is selling for about £660 a tonne, up 35 per cent over this period.

The better prices have stemmed partly from sustained demand from customers – which for PVC means largely the building industry and for low-density polyethylene comprises mainly makers of plastic bags and other packaging goods. Growth in total European output of these materials has been at around 4-6 per cent a year.

The PVC market has benefited from the pan-European building boom and the relatively new uses of the material in a range of construction products, most of them involving plastic substituting for wood.

There has also been a large reduction in plastics production capacity over the past decade.

This has involved companies cutting overheads by concentrating manufacturing on newer, more efficient plants and reducing labour costs.

As part of this trend, the number of European producers has been reduced by roughly half to about 15 in the case of both PVC and polyethylene.

The most notable restructuring took place two years ago when ICI and Enichem pooled their PVC-making interests to form a new joint venture called European Vinyls Corporation (ECV). This is currently Europe's biggest PVC producer with a fifth of total capacity, followed by Solvay of Belgium and France's Atochem.

EC FINES ON PLASTICS PRODUCERS (Ecu m)

Company	Country	PVC*	LdPE**
Atochem	France	3.2	3.6
BASF	W.Germany	1.5	5.5
Bayer	W.Germany	–	2.5
BP	UK	–	0.75
CdF(now Orkem)	France	–	5.0
Dow	US	–	2.25
DSM	Netherlands	0.6	3.3
Enichem	Italy	2.5	4.0
Hoechst	W.Germany	1.5	1.0
Huels	W.Germany	2.2	–
ICI	UK	2.5	3.5
Linz (now Chemie)	Austria	–	0.5
LVM (DSM and SAV joint venture)	Belgium	0.75	–
Monsanto	US	–	0.15
Montedison	Italy	1.75	2.5
Neste OY	Finland	–	1.0
Norsk Hydro	Norway	0.75	–
Repsol	Spain	–	0.1
Shell	Anglo-Dutch	0.85	0.85
SAV	France	0.4	–
Solvay	Belgium	3.5	–
Statoil	Norway	–	0.5
Wacker	W.Germany	1.5	–
Total		23.5	37.0

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AMERICAN NEWS

Garcia emerges as congress loser

By Veronica Baruffati in Lima

PRESIDENT Alan Garcia of Peru suffered serious and potentially irrevocable damage to his authority in the party congress of Peru's ruling American Popular Revolutionary Alliance which ended on Tuesday.

Mr Luis Alva Castro's election by an overwhelming majority as secretary-general reflected discontent with Mr Garcia's administration and government mismanagement.

The two other contenders for secretary general, both tied to the President, together did not manage to equal the 495 votes given to Mr Alva Castro.

Mr Garcia submitted his resignation as party president during strident political infighting over the weekend, and he had not been renamed to the post as the party congress drew to a close on Tuesday. Some party officials said his resignation had been rejected; others said the post had been eliminated. There have been no formal statements on the issue.

Mr Alva Castro, a 44-year-old Apra militant from Trujillo – the birthplace of Victor Raul Haya de la Torre, founder of Apra – is second vice-president of the republic and speaker of the House. He occupied both the premiership and the economy and finance portfolio in the first two years of Apra government which were characterised by record growth and spending.

As soon as Mr Garcia's star began to fall, Mr Alva Castro distanced himself from the President and the rivalry between Haya de la Torre's two disciples has become increasingly evident.

The next feather in Alva Castro's political cap may be the Apra presidential candidacy for the 1990 election.

At the closing ceremony of the congress, Mr Alva Castro said that "Apra is still the best political alternative for the fulfilment of the bread-with-freedom doctrine. . . we will continue to be the government of all Peruvians".

These are brave words when Peruvians are queueing up from 4am to buy their daily rationed bread.

Mr Alva Castro promises to introduce substantial structural reforms in the organisation of Apra and to put an end to the favouritism for which the President was widely criticised at the congress.

It is uncertain yet, however, how much support Mr Alva Castro has among the newly-elected national executive committee.

There is widespread criticism that Apra was so involved in its own party interests that no time was devoted at the congress to the discussion of the country's problems.

Takeover specialist faces fraud charges

By James Buchan in New York

MR Paul Bilzerian, a Florida-based corporate takeover specialist, became the latest victim of the US Justice Department's wide-ranging investigation into insider trading yesterday when he was indicted in New York on 12 counts of securities and other fraud.

The charges, each of which carries maximum jail terms of five years and hefty fines, allege that Mr Bilzerian routinely avoided statutory disclosure requirements and illegally "parked" key blocks of stock in four big takeover-related transactions in 1985 and 1986.

Mr Rudolph Giuliani, the campaigning US Attorney in New York, said that other indictments could follow in the Bilzerian case.

Mr Bilzerian, 38, who is chairman of the Singer military electronics group, yesterday denied the charges.

The charges appear to derive mostly from the evidence of Mr Boyd Jeffries, a Los Angeles stockbroker who turned state's evidence after being implicated by Ivan Boesky, the gaoled arbitrageur. In all four of the deals, Mr Bilzerian is accused of using the Jeffries firm to "park" key blocks of stock in target companies so as to avoid regulatory disclosure requirements.

The indictment alleges that Mr Bilzerian used Jeffries to accumulate stock in Cluett Peabody and H.H. Robertson in 1985 and Hammermill and Armco in 1986, in all but the last case as a prelude to launching hostile takeover offers. None of the bids were successful, but Mr Bilzerian and his associates reaped millions of dollars in profits on their secret stock holdings, including $58m from Hammermill.

Meech Lake accord in hot water

David Owen and **Robert Gibbens** report on Canada's murky constitutional dispute

THE Meech Lake constitutional accord of Mr Brian Mulroney, the Canadian Prime Minister, was in trouble even before Mr Gary Filmon, the little-known Manitoba Premier, announced that he would stop pushing for the agreement to be ratified in the prairie province's legislature. It was not, however, at the top of the domestic political agenda.

Mr Filmon's decision was in response to Mr Robert Bourassa, Quebec's Liberal Premier, using a constitutional override to supersede the federal charter of rights and enforce a new language law. Mr Filmon has focused attention on an issue that promises to assume an increasingly high profile.

The accord, hammered out in April 1987 by Mr Mulroney and the then provincial premiers, brings Quebec willingly into the Canadian constitution. It recognises Canada's only predominantly French-speaking province as a "distinct society" and devolves some powers from Ottawa to the provinces. To survive, it must be ratified by all 10 provincial legislatures by June 1990.

The document has seemed in jeopardy because two of the provinces, in response to mounting concerns over its possible impact on minority rights and other matters, have not yet ratified it.

In New Brunswick, premier Frank McKenna (whose Liberals hold all 58 seats in the provincial legislature following their October 1987 landslide) is apprehensive both about the decentralisation of power that the accord posits and its possible affect on Canada's charter of rights. Public hearings on the issue are due to begin in the province in January.

In minority-ruled Manitoba, the situation is more complex. Prior to Mr Bourassa's decision to seek to promulgate a law prohibiting the use of English on outdoor commercial signs, Mr Filmon's Conservatives – in office only since April – professed to support the deal.

They were reluctant to put the question to the provincial legislature, however, since the combined forces of the opposition Liberals and New Democrats could have defeated the resolution, perhaps precipitating an election.

In terms of hindering the ratification of the accord therefore, Mr Filmon's obstructive move – which is seen by some as a bid to hitch his wagon to rising western resentment of Quebec's "special treatment" in a bid to boost his poll ratings – is of dubious significance.

Certainly, Mr Bourassa must have realised that he was testing the limits of the other provinces' tolerance by rejecting a compromise solution clearly signalled by last week's Supreme Court verdict on Quebec's existing language legislation and invoking the override.

But Mr Bourassa has a political agenda of his own. With an election due within two years, he is anxious to rob the separatist Parti Quebecois of the potential rallying point which any perceived over-indulgence towards the province's Anglophone minority might afford.

As it is, his compromise in permitting some bilingual signs inside commercial establishments has been greeted with outrage by some PQ hardliners – although his perceived intransigence prompted the resignation of three English-speaking ministers from his own cabinet.

With Mr Mulroney having ruled out the emergency premiers' meeting advocated by Mr Filmon, the Prime Minister's first real opportunity to break the deadlock will be at a scheduled first ministers' conference in February or March. Mr Mulroney is expected to make every effort to salvage the accord, which he believes is a *sine qua non* for Canada's future unity and in which he has invested much personal prestige.

THREE Anglophone ministers have resigned from the Quebec Cabinet of Mr Robert Bourassa, the Liberal Premier, in protest at his policy on French-only signs, writes Robert Gibbens in Montreal.

Mr John Ciaccia, the fourth Anglophone minister in the Cabinet and the most influential, has expressed doubts about the policy but is staying on. He says more can be achieved from within the Government.

The three to leave include Mr Clifford Lincoln, who successfully built up the environment ministry's role. The others are Mr Herbert Marx, Minister for Public Security, and Mr Richard French, Minister of Communications.

Debtor countries seek G7 summit

SEVEN Latin American debtor countries yesterday called for a summit with the main industrial nations to seek a cut in the region's huge debt burden, Reuter reports from Brasilia.

Argentina, Brazil, Colombia, Mexico, Peru, Uruguay and Venezuela say they want to reduce the region's $420bn debt to ensure economic growth and safeguard the area's young democracies.

Mr Carlos Henrique Santos, the Brazilian presidential spokesman, said the countries' presidents would seek a summit with the leaders of the Group of Seven comprising the US, Canada, Japan, Britain, West Germany, France and Italy.

He gave no details of when or where the meeting might take place. Brazil is the co-ordinator of the Latin American group, which last week held a meeting of finance and economy ministers in Rio de Janeiro to shape a debt reduction plan.

There was no immediate official response in Washington to the proposal. In Rome, a Italian government official said the suggestion should be examined.

The Latin American countries have not given details of their ideas on cutting the debt but have said they want a reduction of both principal and servicing costs.

The leaders of Latin America, which transfers to creditors more than $20bn a year, have been encouraged by the debt stance taken by President-elect George Bush.

Mr Bush said on Monday he would undertake a review of US debt policy. He is obliged to submit a report on Third World debt to Congress by February.

Alfonsín names surprise choice as army chief of staff

By Janette Staubus in Buenos Aires

GENERAL Francisco Gassino, head of Argentina's military institute, was named as the new army chief of staff yesterday. The appointment followed a hard-hitting speech by President Raúl Alfonsín to a specially convened legislative assembly.

Gen Gassino, whose appointment came as a surprise in Buenos Aires, will replace Gen José Dante Caridi who resigned late on Tuesday. Gen Miguel Abbate and Gen Enrique Bianchi, the only two major-generals remaining in the army, also resigned. As the Chief of Staff is the most senior army officer, two other generals must step down before Gen Gassino, sixth in the army hierarchy, can take the post. Reports in Argentina say that eight other generals are expected to resign.

Gen Caridi's departure is the most recent in a string of demands made by army rebels to have been met by the Government, despite claims that there was no agreement with them.

President Alfonsín's surprise call for a meeting of the legislative assembly – which comprises the members of both houses of Congress, government ministers and the members of the Supreme Court – was a move towards recapturing the initiative from the army after weeks of hovering on the sidelines. His dramatic speech, delivered in a grandiose setting, aimed to drive home the authority of the constitutional government. Only once before has the President addressed the legislative assembly. That was during the Easter Week uprising in April last year.

The theme of President Alfonsín's speech was that Argentines must construct "a new nation" in which the armed forces would play a clearly defined role within a constitutional framework. He stood firm against army demands for an amnesty for officers jailed for human rights crimes committed during the last military dictatorship of 1976-83. He said Argentina was "not willing to tolerate a vindication of state terrorism. To do so would be to go against the principles of democratic government". The address was in sharp contrast to Saturday's speech by Mr Horacio Jaunarena, the Defence Minister, in which he justified the "dirty war" and said that it had been "necessary".

Shortly after yesterday's speech, the President backed his fighting words with action. He ignored the rebels' choice for chief of staff, Gen Isidro Bonifacio Caceres. In choosing Gen Gassino, a strong supporter of the Government, President Alfonsín picked a man closer to Gen Caridi than to the rebels. Gen Gassino was a promoter of the *mano duro*, or hardline, response to the Easter Week and Monte Caseros uprising led by Col Aldo Rico.

Gen Gassino is in charge of military institutes – war colleges and army training – including Campo de Mayo, the infantry training school that was the scene of Col Mohamed Ali Seineldin's rebellion earlier this month.

Despite President Alfonsín's awakening from his sleepy leadership of recent weeks, few are reassured by the government's bluster. The President's choice of Gen Gassino is unlikely to satisfy the rebels.

Hitch for Venezuela oil discount plan

By Joseph Mann in Caracas

LEGAL problems will delay a plan to raise $1bn through discounting the future income of Venezuela's national oil company, Mr Hector Hurtado, the country's Finance Minister, said yesterday.

The $1bn scheme is part of a programme designed to raise money to cover a large balance of payments deficit for 1988.

The Venezuelan government will allot $8.5bn for merchandise imports in 1989, a reduction of 9 per cent from an estimated $9.3bn this year, according to Mr Hurtado.

The Government, which leaves office early in February, is elaborating a foreign exchange budget for 1989 under difficult conditions. Lower world prices for petroleum, Venezuela's main source of foreign exchange, has put heavy pressure on the Government's international currency reserves. The next administration will need to make important adjustments in areas such as foreign debt service payments, exchange rates, domestic interest rates, price controls and other elements of domestic economic policy.

Mr Carlos Andres Perez, the President-elect, has said that Venezuela cannot continue to pay over half its export revenues to service the foreign debt and that he will ask international banks for easier terms.

The $8.5bn budgeted for 1989 covers merchandise imports by the public and private sectors but does not service the nation's foreign debt, estimated at $32bn. Venezuela's imports were $8.8bn in 1987, down from a record $13.6bn six years ago.

Mr Hurtado also said the Government had obtained new loans totalling $3.8bn this year from foreign banks and credit agencies. The Government is trying to raise $500m in a series of bonds being offered in London this week and sold $200m in bonds on the Euromarket in two high-priced offerings earlier this year. Ironically, the Government is obtaining new credits at the same time as its existing debt to international banks is being offered at a discount.

● President-elect Perez is seeking a $3bn loan to bolster foreign reserves, the El Nacional newspaper said yesterday, Reuter reports from Caracas.

The report said three advisers to Mr Perez were in the US to try to compile a bridging loan package for Venezuela. It said Mr Perez raised the possibility of the US Treasury providing half the bridging financing in a meeting in Washington last week with President-elect Bush.

Opposition leader rejects Sri Lanka election result

By David Housego in Colombo

SRI LANKA'S fragile democracy ran into fresh problems yesterday when Mrs Sirimavo Bandaranaike, the leader of the main opposition party and defeated candidate in Monday's Presidential election, announced that she would not accept the results.

Declaring that she would have been the winner if there had been a fair poll, she accused the government of foul play and of being responsible for the killing of some of her supporters.

The risk of Mrs Bandaranaike's rejection of the result is that it could encourage embittered members of her Sri Lanka Freedom Party to support the extremist People's Liberation Front (JVP) in their terrorist campaign against the Government. The JVP, which was responsible for most of the violence during the election, hopes that the victory of Mr Ranasinghe Premadasa will encourage left-wing sympathisers to help them in opposing his Government by force.

Mrs Bandaranaike's denunciation was undermined, however, by an interim report published yesterday from the observer group from neighbouring south Asian countries which has been monitoring the election. Though the group found evidence of violence and intimidation, they concluded that the conduct of the election "should be viewed positively".

At a press conference yesterday Mrs Bandaranaike said she

Bandaranaike: poll protest

would lodge a suit before the courts to have the election declared null and void. She cited examples of ballot boxes being carried to a police station, of 1.4m excess ballot papers being printed, and of 49 of the 215 polling stations in Moneragala district being closed during polling affecting 45,000 votes. Mrs Bandaranaike lost the election by 280,000 votes.

Though Mrs Bandaranaike said that her supporters would "probably come out on the street" because the election had not been fair, she stopped short of calling for demonstrations. She also hinted that her party might not take part in parliamentary elections scheduled for February – but her close supporters left little doubt that the SLFP would take part.

Sudan MPs urged to approve peace plan

By Our Foreign Staff

COLONEL John Garang, the Sudanese rebel leader, yesterday urged the Sudanese parliament to approve a peace plan drawn up last month in an attempt to end the civil war, but the divided Government in Khartoum remained preoccupied with a recent coup attempt.

Mr Garang, who heads the Sudan People's Liberation Army, accused Mr Sadiq al-Mahdi, the Prime Minister, of dragging his feet. "It is 35 days today since the peace plan agreement was signed and Sadiq's Government has not gathered enough political will and courage to endorse it," Mr Garang said in a rebel radio broadcast.

In Khartoum yesterday the Government confirmed that it had foiled a coup attempt last week, arresting 25 civilians and former army officers. Newspaper reports said the plotters planned to assassinate Mr al-Mahdi.

The peace accord with the SPLA was signed by the Democratic Unionist Party, one of the parties in the Prime Minister's coalition government, in Addis Ababa on November 16. It provides for a constitutional conference, a ceasefire, a freeze on new Islamic laws until the conference is held, and the lifting of a state of emergency.

In the latest round of civil war, the mainly Christian and animist southerners have been fighting the Moslem north since 1983. Mr al-Mahdi and his Umma party, fearing the defection of National Islamic Front from the coalition, have hesitated to push for parliamentary endorsement of the peace agreement.

Yesterday some 300 demonstrators defied an emergency order and gathered in Khartoum to demand government approval of peace plan.

Tokyo fails to reflect Shevardnadze optimism

By Ian Rodger in Tokyo

MR Eduard Shevardnadze, the Soviet Foreign Minister, left Tokyo yesterday at the end of a three-day official visit talking about "a new chapter in Soviet-Japanese relations", but his Japanese hosts were distinctly less buoyant.

Their main objective had been to get negotiations moving towards a resolution of the 43-year territorial dispute over four islands in the Kuriles north of Hokkaido. This, from the Japanese view, is a pre requisite to signing a post-war peace treaty and putting bilateral relations on a firmer footing.

In the event, the Soviet side agreed, as expected, to establish a joint working group of vice-ministers that would attempt to remove all the barriers to a peace treaty, a position virtually identical to that established between Mr Kakuei Tanaka, the former Japanese Prime Minister, and the late Soviet President, Leonid Brezhnev, in 1973. There was no specific mention of the territorial issue, but Mr Sosuke Uno, the Japanese Foreign Minister, said it was significant that the issue had been discussed from an historical point of view.

Japanese Foreign Ministry officials were consoling themselves that the Soviet side probably could not dare make territorial concessions at this time because of the much more substantial territorial problems they may soon face in some parts of their European empire.

Apart from the territorial issue, both sides seemed to be trying hard to please. The Japanese, for example, had passed legislation to keep noisy right-wing demonstrators off the streets. The Soviet side offered to allow more Japanese visits to graves of relatives in the disputed islands. Both ministers agreed to meet more often and to begin preparing for a bilateral summit.

However, there did not appear to be much progress towards intensifying trade or industrial contacts. Mr Shevardnadze offered various proposals, such as an agreement on mutual protection of investment and an exchange of bank offices, to improve the framework for trade, but the Japanese refused.

"We are not in a position to discuss economics separately from politics," Mr Uno said at a press conference yesterday.

Scandal turns minds to electoral reform

By Ian Rodger in Tokyo

JAPANESE Government and business leaders, embarrassed by the exposure of the large amount of corruption in politics revealed in the Recruit scandal, are beginning to talk about basic reform of the country's electoral system.

"We must come up with something so that politics do not cost so much. We may look into revising the existing electoral system," Mr Michio Watanabe, a senior member of the ruling Liberal Democratic Party and a potential future prime minister, said in a luncheon speech last week.

Mr Masao Kamei, chairman of Sumitomo Electric Industries and a leader of industrial organisations in Western Japan, went further, proposing in a speech last week that Japan adopt a West German style voting system, combining small, single seat constituencies and an element of proportional representation.

Meanwhile, a high-level LDP committee, which has been studying ways to control fund raising by politicians more effectively, has swung its attention to the electoral system itself.

The Recruit scandal has revealed a situation in which several leading politicians took what amounted to very large financial donations from an ambitious and flamboyant entrepreneur, Mr Hiromasa

MPs rush Mr Matazo Kajiki, LDP chairman of the Upper House tax committee, yesterday as he overrode opposition objections to an enforced vote on the Government's tax reform

Ezoe. The donations were made by selling shares in a subsidiary of Recruit, Mr Ezoe's company, to the politicians' aides at low prices before the subsidiary's flotation on the stock market two years ago. An aide to Mr Yasuhiro Nakasone, the former prime minister, for example, made an estimated Y120m (£530,000) on the deals.

Public outrage over the transactions has arisen partly because of their size, but also because it has emerged that Mr Ezoe made similar offers to local and national government officials and business associates, apparently in return for various benefits. Involvement in the scandal has already caused the resignation more than 20 people, including Mr Kiichi Miyazawa, the former Finance Minister, and Mr Hisashi Shinto, former chairman of Nippon Telegraph and Telephone.

Analysts agree that a big contributing factor to scandals such as the Recruit affair is the extraordinarily high level of most politicians' expenses in Japan. This, in turn, is related to an electoral system based on large, multi-seat constituencies. Another factor, as Mr Watanabe pointed out, is that Japanese voters expect their politicians to provide them with an endless series of gifts, such as flowers and cash at weddings, funerals and other events.

Another rising LDP politician, Mr Kazuo Aichi, who has also advocated electoral reform, has explained that his after-tax salary and expense allowances as a Diet (parliament) member amount to Y11.1bn, but his expenses amount to about Y105bn a year, even before he gets into gift giving.

On the other side of the ledger, the Japanese Government provides relatively modest support for politicians, and there is not much prospect of that changing. The problem is that the opposition politicians generally do not have as many demands placed on them as LDP politicians and so they see no need for more money.

The reforms now being talked about generally involve restructuring the electoral system around small, single member constituencies. It is said that under such a system it would be less expensive for a politician to make himself known to his constituents and take care of their needs than it is now. Similar proposals have been made before but have foundered on fears by various political groups that they would lose ground.

Mr Kamei said a system similar to that in West Germany which adds an element of proportional representation would protect the minor parties. He said he had been in close consultations on this proposal with Mr Masaharu Gotoda, the LDP leader heading a committee on the political system.

Angola deal to be signed at UN

By Michael Holman, Africa Editor, in New York

ANGOLA, Cuba and South Africa are due to endorse the south-western Africa peace plan in a ceremony here today, signalling the start of a process which will bring independence to Namibia, end the Cuban military presence in Angola, and set in train one of the biggest peace-keeping operations the United Nations has ever undertaken.

Foreign ministers from the three countries will sign an agreement which sets April 1, 1989 as the starting date for Namibia's seven-month transition to independence elections. The transition will be supervised by a UN contingent of 7,500 troops and 2,000 civilians, in an operation likely to cost more than $500m – unless the UN Security Council responds to a US proposal to cut the size of the force.

A second bilateral agreement between Luanda and Havana will set out the details of a phased 27-month withdrawal of 50,000 Cuban troops from Angola – South Africa's precondition for the independence of Namibia, a territory it has controlled for over 70 years.

This agreement provides for a second UN presence in the region – the Angola Verification Mission, with 70 military officers and 20 civilian support staff, which will monitor the Cuban withdrawal.

Attending today's ceremony will be Mr George Schultz, the US Secretary of State, Mr Anatoly Adamishin, the Soviet Deputy Foreign Minister who has played a key role in during eight months of negotiations chaired by Mr Chester Crocker, the US Assistant Secretary of State for Africa. Also taking part will be Mr Javier Perez de Cuellar, the UN Secretary General.

The size of the UN force, whose role was set out in a 1978 UN resolution on Namibia's independence, has come under scrutiny by the US, which would be the main contributor to the cost of the operation.

Informal talks have been taking place between Mr Perez de Cuellar and the five Security Council members – the US, the Soviet Union, Britain, China and France – about ways in which the force could be cut.

Israeli MPs to vote on coalition

By Andrew Whitley in Jerusalem

MR YITZHAK SHAMIR, the Israeli Prime Minister, will today – barring any last-minute accidents – formally present his new broad-based coalition government to President Chaim Herzog and to parliament.

Yesterday's approval by the centre-left Labour Alignment's central committee of a deal worked out earlier in the week between Mr Shimon Peres, its leader, and Mr Shamir removed the final obstacle to the formation of a government.

Surprisingly, given that it was Mr Shamir who has played the suitor and Mr Peres the reluctant maiden, Labour's endorsement of the coalition agreement was much more convincing than the narrow backing given to the Likud leader by his own supporters.

In a bid to soothe Labour doves, Mr Peres assured his party yesterday that Labour would continue to be engaged in the Arab-Israeli peace process. Likud's control of both the Prime Ministry and the Foreign Ministry had aroused fears that Labour would be shut out of any future negotiations with the Palestinians.

An unpublished annexe to the coalition guidelines is believed to specify that foreign relations will be the exclusive province of Mr Moshe Arens, the incoming foreign minister.

At the same time, though, Mr Peres managed to wring out of Likud its agreement that all main diplomatic initiatives would be cleared beforehand with himself. For his part Mr Shamir secured a commitment in writing from his main coalition partner that there would be no negotiations with the Palestine Liberation Organisation. Contacts with the PLO by Israelis are, in fact, already punishable by law.

Securities reform fuels Hong Kong storm

John Elliott examines the growing row over proposals for a new market watchdog

A MAJOR row is developing in Hong Kong over the powers and size of a proposed Securities and Futures Commission, which is being set up as a new watchdog for the stock and futures exchanges in the wake of last year's world markets crash and the colony's subsequent corruption scandals.

After several months of consultations, the Government has failed to reach agreement with the stock exchange about how the new watchdog – which was recommended in the Hay Davison report on last year's crisis – should operate. Some of its latest draft proposals for legislation setting up the commission are now under attack by international as well as local stock brokers.

"There has been no shift in the government's attitude on the extent of the commission's powers or on its funding," says Mr Francis Yuen, chief executive of the stock exchange. His members object to what they

Robert Owen: lack of rapport

allege is the commission's intention to use its HK$125m-140m (£8.8m-£9.8m) a year budget to take over the exchange's own self-regulatory powers.

"Overseas investors are expressing concern about whether Hong Kong is going overboard on over-regulation and whether a more moderate approach is not needed," says Mr Alan Smith, managing director of Jardine Fleming and chairman of the Stock Exchange Council's committee examining the proposals.

Much of the criticism has centred around Mr Robert Owen, a former British diplomat and banker, who was head-hunted earlier this year to run the new watchdog. He is temporarily operating as both the Government's securities consultant and head of the existing Securities Commission, but has so far failed to establish personal rapport with leading figures in the colony's financial community.

"An impression is being generated that we are creating a huge structure and are empire building for its own sake. That is not the case. We are trying to create as small a structure as possible consistent with the need to do the job effectively," says Mr Owen.

The stock exchange has been concentrating on six areas which it wanted changed after seeing the first proposals for a Securities and Futures Commission Bill produced by Mr Owen. In the past few days the Government has itself produced a second draft, which is now circulating privately with interested parties.

This new draft shows that the government has backed down on two areas. It has agreed to introduce independents as well as commission representatives into appeal hearings against the commission's judgements, and it has also agreed that existing registered brokers need not apply for new licences when the commission is set up.

Proposals in two other areas have also been modified, though not sufficiently to satisfy all critics. These cover the commission staff's right of entry into brokers' premises to inspect books and records, and requirements for brokers to answer commission investigators' questions about business transactions, even if this infringes a person's right of silence.

But the stock exchange is totally dissatisfied about two other areas concerning the commission's powers and funding. First, it believes that Mr Owen wants rigid powers to enable his organisation to intervene extensively and that he is not really willing to delegate responsibility for matters such as listings and registration.

It is now negotiating with the Government about the wording of a long statement – which will be made when the bill is debated next month by the Legislative Council, the colony's advisory assembly – to show that the new powers are intended to be genuinely held in reserve and that the stock exchange has first line responsibility for self-regulation. "The wording we have seen is not good enough yet," says Mr Yuen.

Lange beats off Douglas challenge

By Dai Hayward in Wellington

MR DAVID LANGE, the New Zealand Prime Minister, yesterday comfortably beat off a challenge to his leadership from Mr Roger Douglas, the sacked Finance Minister.

But the 15 votes for Mr Douglas – more than a quarter of the government MPs – was a warning to Mr Lange that he will now have to provide strong leadership and produce policies that will set labour back on the road to public popularity.

Mr Douglas gained more support than he expected. This has encouraged him to maintain his planned three to six months campaign against cabinet policies with which he disagrees.

He will however support the Government and Prime Minister in parliament.

Mr Lange says the vote was a decisive result for himself and for deputy leader Mr Geoffrey Palmer. It should now reduce tension within the Government and allow it to concentrate on reforming education and reducing unemployment.

Almost within minutes of the leadership vote there was good news for the Government with the announcement of a NZ$2bn ($1.25m) turnaround in the trade figures for the year to November.

The trade surplus was helped by high world commodity prices for wool and aluminium and a decline in consumer and industrial demand due to the economic recession.

For the first five months of the current financial year exports showed a surplus of NZ$390m over imports. For the same period last year, there was a deficit of NZ$637m.

Rival prepared to renew links with Mahathir's party

DATUK MUSA HITAM, the former Malaysian deputy Prime Minister, is making a political comeback after consolidating his leadership in his influential home state of Johore, Wong Sulong writes from Kuala Lumpur.

He announced yesterday that he and his supporters were now prepared to join the New United Malays National Organisation of Dr Mahathir Mohammed, the Prime Minister, based on a six-point resolution adopted by the Johore Malays Unity Congress last Sunday.

The congress was attended by more than 500 Malay organisations and as a show of force, more than 30,000 Johore Malays attended a dinner organised by the congress. By moving back to Dr Mahathir's camp, and breaking with Tengku Razaleigh, Dr Mahathir's arch-rival, Datuk Musa's decision is expected to herald a big political realignment among the factional Malay leadership.

The six-point resolution, know as the Johore Declaration, calls, among other things, for the automatic admission of former members of the old, defunct Umno party into the New Umno party, restoration of party positions to those elected in the 1987 party polls, recognition of Dr Mahathir's leadership, and for steps to be taken to restore the original Umno constitution.

Datuk Musa's supporters say Dr Mahathir had been consulted before the Johore Declaration was drafted, and the Prime Minister was expected to go a long way to accommodate Datuk Musa. They say if Datuk Musa is not accepted into New Umno, Dr Mahathir runs the risk of losing Johore.

Datuk Musa resigned as deputy Prime Minister in 1985, citing "irreconcilable differences" with Dr Mahathir. He later teamed up with Tengku Razaleigh to challenge the Prime Minister, and the power struggle led to the courts declaring Umno unlawful last February.

Tengku Razaleigh, a hard liner whose alliance with Datuk Musa had at best been tenuous, is expected to continue his fight outside Umno.

Ghanaian farmers struggle towards development

William Keeling in Accra examines a banking scheme which focuses on the needs of the rural majority

THE CHIEFS of Akuapom District beat the village gong-gongs and announced to the people that the local bank was to hold a Needs Assessment Workshop for women. The people listened and departed; news interesting enough for the men to mull before an afternoon snooze, then to forget. As for the women, the bank expected 200 but had arranged to cater for double.

The district is set among the ravine-split slopes north of the Ghanaian capital, Accra; the roads tend towards the diabolical; walking is a matter of one step forward and two back. Yet come the day, the organisers were overwhelmed; 2,000 women had journeyed over hill and across dale to participate in the workshop.

But this is no ordinary bank, it is the shining example of Ghana's 120 Rural Banks. This first was initiated in 1976 in response to the urban banks which catered for commercial institutions, granting large loans on the basis of quick turnover, quick profit and minimal risk; even those resources designated for the agricultural smallholder were misdirected back along the urban road.

They failed to provide for the rural areas, their procedures unsuited to the illiterate, and managers unimpressed with a mud hut as collatoral.

Yet the majority of Ghanaians are rural-dwellers and the cocoa producers, alone, provide 60 per cent of foreign exchange earnings.

Farmers who required capital for agricultural inputs had to rely on money lenders charging excessive interest rates. As indebtness grew the farms were abandoned, mortgaged to parties uninterested in production. The Rural Banks were designed to reverse this trend.

They are unit banks, unlike their urban counterparts – all decisions are taken in the locality. They operate within a 20-mile radius, the area restricted by the ability of the customers to travel. They are limited liability companies, half the shares being owned by the Bank of Ghana, half by local people.

The intention is to sell the Central Bank's preference shares as they become more established, to mobilise domestic resources for development; the liquidity of the bank depends upon the initiative of the people it serves.

Collateral is secured in the form of two guarantors of standing who are the first line of call. The board of the bank has directors who live in the community, retired civil servants and teachers, who use their local knowledge to evaluate loan requests. The idea is simple; it has problems, however, in being effective.

The aim of a rural bank is not profitability *per se*, rather to develop programmes that over the long term will turn rural people into good clients of finanical institutions.

Accountability is a problem, however, not only among the clients but within the banks themselves. Officials have often lacked the training needed to read balance sheets; loan ledgers are not completed and project-monitoring is poor.

Retraining programmes are available but so destitute are some of the banks that they cannot afford the outlay. The Government has lost patience. A member of the ruling PNDC, Mr Alhaji Mahama Iddrisu, identifies the problem as "inefficiency, mismanagment and, in some cases, downright dishonesty and irresponsibility."

One reason, however, has been the environment within which the Rural Banks have been able to operate. The responsiblity for that lies with the central authorities.

The bank managers spend much of their time in Accra requesting the release of money from the Cocoa Board after the farmers have presented their "Akuafo" cheques, paid out to the farmers by the board in lieu of cash.

Of total national cocoa purchases in the 1987-1988 season, 22 per cent passed through the hands of the Rural Banks but Mr Kwame N. Owusu, chief executive of the Cocoa Board, is unwilling to change the disbursement procedure for such small-fry institutions.

The unit banks are being undermined by the exact problem they were designed to overcome, the urban bias of the business establishment.

Lack of affordable transport restricts the ability of the banks to monitor projects, many of which lack timely inputs due to the inefficient operation of agricultural extension stations. Yields of cocoa are poor, loans remain unpaid.

Ms Gloria Nikkoi, vice president of the Association of Rural Banks, defines the problem as one of the mobilisation of resources. The question, she says, "derives from government responsibility towards rural areas."

The Rural Banks are an exercise in self-reliance; their philosophy is to educate communities to use their own resources for development, not to rely on the transitory assistance of foreign aid. Their history is chequered but conditions for operation have not been conducive to success.

The 2,000 women of Akuapem are evidence of the desire of the rural majority to enter the formal financial sector. At a time when external development abounds, this attempt at development from within is still struggling for its feet.

Afghan rebels to meet in Iran

GUERRILLA groups fighting the Soviet-backed government in Afghanistan will meet in Iran to discuss strategy for a new round of talks with Moscow, a rebel spokesman said on Wednesday, Reuter reports from Islamabad.

He said Mr Burhanuddin Rabbani, chairman of the Pakistan-based guerrilla alliance, would lead delegates to meet representatives of the rebel groups in Iran.

Mr Rabbani met Mr Yuli Vorontsov, a senior Kremlin aide, on December 3 and 4 in Saudi Arabia in the first contact between Soviet officials and rebels after 10 years of guerrilla war.

Cossiga urges Israel to pursue peace

President Francesco Cossiga of Italy yesterday put his full authority behind the European diplomatic offensive for a Middle East peace agreement and appealed to Israel to seize "an historic opportunity for peace," John Wyles writes from Rome. It was the first such appeal by a European head of state since the recent PLO declarations accepting the state of Israel.

Mr Cossiga urged the Israelis to adopt a humane approach on the West Bank uprising and to avoid any move which might raise tensions.

Gunmen shoot two policemen in S Africa

GUNMEN shot two black policemen in a Johannesburg suburb yesterday in the latest of a spate of attacks on police around the city, police said, Reuter reports from Johannesburg.

The two attackers followed the patrolling policemen into a cosmetics shop and shot them at point-blank range, critically wounding one, police spokesman Major Dries Jacobs said.

Maj Jacobs said the motive for the shooting had not been established. But the authorites have blamed other attacks on police on guerrillas of the outlawed African National Congress.

In recent weeks, these include the killing of two policemen and the wounding of four in ambushes in Soweto township near Johannesburg

WORLD TRADE NEWS

France in drive to win defence orders from India

By K.K. Sharma in New Delhi

FRANCE is making a major bid to win defence contracts from India and has offered transfer of technology and manufacturing rights for warships, helicopters and electronics.

Talks on the offers have begun and could materialise by the time the French president, Mr François Mitterrand, visits India early in February.

The offers were further discussed by Mr Jean-Pierre Chevenement, French Defence Minister, during a four-day visit to New Delhi this week. France has already supplied India with more than 40 Mirage 2000 aircraft, and the two countries signed a memorandum of understanding in 1982 on defence co-operation under which the new contracts are being sought.

During talks in New Delhi, Mr Chevenement offered French help in designing and developing a light combat aircraft (LCA) – an ambitious programme taken up by the government-owned Hindusthan Aeronautics to provide an indigenous fighter for the Indian Air Force for use in the 1990s.

However, the future of the LCA project is being examined in the light of a recent Soviet offer to upgrade India's existing MiG-21 aircraft which are now the mainstay of the air force. If this is accepted, the LCA project could be slowed down.

Another proposal by France for help in developing facilities for manufacturing aircraft carriers in India has a better chance of being accepted. India, which recently acquired nuclear-powered submarines on lease from the Soviet Union, is looking for replacements for one of its two ageing aircraft carriers.

In addition to the outright sale of Mirage 2000 fighters to India, France has won defence deals in the past for the manufacture and assembly of Alouette and Lama helicopters by Hindusthan Aeronautics.

Ontario to defy Ottawa on wine pricing

By David Owen in Toronto

THE Liberal government of Ontario, Canada's most powerful and populous province, is planning to defy Ottawa by failing to comply with agreements undertaking to phase out discriminatory pricing of European and US wine over seven to 10 years.

The decision follows an agreement between Canada and the EC earlier this week on a satisfactory timetable for the phasing out of protection for local brands. The US-related provisions are contained in the US-Canada free trade agreement.

The province intends to pursue its own plan for eliminating protection of the local wine industry over 12 years. The move is thought likely to provoke court proceedings to test whether Ontario's proposed action is in breach of the constitution.

South Korea 'to boost EC links'

SOUTH Korea plans to encourage joint ventures with companies in the European Community and to increase European imports in an effort to resolve trade frictions, Yonhap, the South Korean news agency, said, AP reports from Seoul.

The government plans to encourage domestic companies to increase joint investment in EC member-nations and to convert South Korean business branch offices into locally incorporated firms, Yonhap added.

STC awarded $200m Pacific cable order

By Terry Dodsworth

STC, the UK electronics and telecommunications group, has won a $200m (£111m) contract to supply half the fibre optic submarine cable for a planned new telephone link between Japan and the West Coast of the US.

The contract follows a similar deal for a fibre optic cable across the Atlantic on which installation work began a few weeks ago. It brings STC's total order book to more than $500m.

Both cables are part of the high-speed digital telecommunications network which Cable and Wireless, the international telephone network operator, is planning to develop between London, New York and Tokyo.

This will be the first cable system of its kind not owned by the large public telephone companies which have run the international telecommunications system up to now.

The contract for the Pacific link was awarded jointly by C and W and its two partners in the region, International Digital Communications of Japan and Pacific Telecom Cable of the US. NEC, the leading Japanese telecommunications equipment manufacturer will produce the other half of the cable.

STC said yesterday that the deal was strategically important because it would establish the company for the first time as a significant supplier of fibre optic cables in the Pacific region.

In the past, the company had been a large-scale provider of copper submarine cables to countries around the Pacific, but it was important to develop a position in fibre optic systems in a region that was booming economically.

The 5,670 kilometres of cable for STC's part of the contract will be manufactured in Portland, Oregon.

Soviet contracts

Soviet exporters have wound up their first trade show in the US with $300m (£166m)-worth of contracts, Reuter reports from New York.

Fifty contracts signed during the two-week show alone totalled $265m, officials said.

Spanish industrialists spread their wings

Direct investment has reached an all-time high this year, Peter Bruce reports

VERY QUIETLY, and well camouflaged by the enormous inflow of foreign capital into Spain, Spanish industry is beginning to spread its wings and hunt out acquisitions in Europe.

The gradual liberalisation of regulations on investing abroad, combined with a new confidence among some of the country's industrialists and investment managers, has sent Spanish direct investment this year to an all-time high.

The purchase last week by the Spanish battery producer, Tudor, of 75 per cent of the second biggest West German producer, Hagen Batterie, for some Ptas 5.2bn (£25m) marks probably the most significant industrial move yet by a Spanish company into Europe since the country joined the European Community in 1986.

By the end of July, direct Spanish investment abroad – Ptas 90.7bn – had passed the Ptas 83.4bn recorded for the whole of last year. According to Spanish statistics, that direct investment only takes account of cases where Spanish investors have taken more than 20 per cent of a foreign company.

A month later, Spanish Government statistics showed that direct investment abroad had reached Ptas 115bn. The Economics Ministry reckoned at the end of October that first-half direct investment, at Ptas 76.2bn, was more than double that of the first half of 1986. Compared with the inflow of some $36bn (£20bn) of direct foreign investment into Spain in the last three years, the reverse Spanish effort is small, however.

Most of the bold new money is going into the European Community. First-half 1988 figures suggest the EC accounted for nearly 60 per cent of direct foreign investment by Spaniards, compared to just 27 per cent in 1986, the year Spain joined the Community.

Then, the US accounted for 24 per cent, a figure that has dropped dramatically to just 4 per cent in the intervening three years.

Much of the new investment energy comes from the banks. Banco Santander recently bought a 5 per cent stake in Royal Bank of Scotland and it has made other acquisitions in Italy, Belgium and West Germany. Other banks, including Banco Hispano Americano, are fishing abroad as well, ahead of the opening of EC markets in 1992.

The purchase by the Spanish battery producer Tudor of 75 per cent of the West German Hagen Batterie marks probably the most significant industrial move by a Spanish company since 1986

Tudor Battery is, in fact, owned by a big Spanish bank, Banco Espanol de Credito (Banesto) whose young chairman, Mr Mario Conde, firmly belives that the only way for Spanish banks to expand abroad is to follow Spanish industry in the way British industry once led the way overseas for UK banks.

But few people would have expected much from Spanish industrialists themselves. They lack international experience, speak few foreign languages and are struggling to attract good managers while the financial sector offers much more attractive careers.

The arrival in Spain of big foreign investors such as the Kuwait Investment Office (KIO), probably dismissive of management attitudes that years of protection have bred in Spanish management, has helped spur new ideas.

KIO's affiliate, Torras Hostench, has recently bought control of a Belgian pulp producer, Cellulose des Ardennes, and is apparently looking for new targets in France and Portugal.

Home-grown companies are not being left behind, though. Ceselsa, a little-known private Spanish radar, avionics and communications producer, spent Ptas 500m a few months ago to buy 40.6 per cent of the French high-technology group Giravions Dorand, which produces flight simulators and aircraft instrumentation.

Entrecanales, one of the country's most secretive and cash-rich construction companies, has spent money investing in the US retail business and Campofrio, the big processed meats group, and has just paid Pta 300m for a stake in a ham-curing plant in Tangiers in France. The Spanish Cava (champagne) producer Freixenet has also been buying up production capacity in France.

For the moment, the numbers involved are small. But they are significant as a measure of a new willingness on the part of Spanish industrialists to try their luck outside of Spain and also as a measure of the realisation that, as 1992 and the opening of their domestic market approaches, the best method of defence may be attack.

US actions anger Gatt members

By William Dullforce in Geneva

PUNITIVE US trade action against countries which fail to comply with US exporters' interests is arousing increasing disquiet among members of the General Agreement on Tariffs and Trade.

Three cases, in which the US has taken, or is about to take, what other countries regard as unilateral action, have been spotlighted in the Gatt council.

Brazil received almost unprecedented support from other countries, when it asked for a disputes panel to examine the 100 per cent duties imposed on some of its exports to the US in October. This step was taken in retaliation for what Washington alleges to be Brazil's failure to observe process patent rights of US pharmaceutical companies.

No less than 25 delegates, representing 39 countries, including 12 European Community states, supported Brazil's demand that Gatt should pass judgment.

The EC's request that the council examine the US threat to levy 100 per cent tariffs on selected EC imports in retaliation for the Community's ban on hormone-treated meat received no such backing.

In the third case, Japan complained to the council about Washington's continuing refusal to lift the 100 per cent duties imposed 18 months ago on some Japanese electronic products because of Tokyo's alleged failure to open its semiconductor market to US suppliers.

A common thread ran through the arguments presented to the council – that in each case the US action was incompatible with Gatt rules.

In none of the three instances was the council able to act – the US blocked the Brazilian call for a disputes panel – but trade diplomats affirm the US would lose all three cases, were they brought to adjudication.

"We now have a situation in which the US, supposedly the champion of Gatt, is consistently taking unilateral action outside Gatt to get its own way," one diplomat said.

Mr Rubens Ricupero, head of the Brazilian mission, stressed the US had made no attempt to justify its action against Brazil on Gatt legal grounds.

Moreover, the US, which had been the most insistent in the Uruguay Round on the need for speeding up the Gatt dispute settlement process, had been stalling for six months since the announcement of its retaliatory measures against Brazil, Mr Ricupero said.

One Gatt expert said the problem in the US was that "even at the highest levels, there is no recognition they cannot take unilateral action under Gatt rules".

Mr Fred Montgomery, acting head of the US mission, said the US Administration was coming under increasing pressure from Congress and business to react to what they considered to be unfair trading practices by other countries.

Many trade officials hope the US will lift its block on Brazil's request for a disputes panel at the next council meeting. "Then the whole US approach can be tested," said one.

Japanese share in R-R engine programme

By Lynton McLain

ROLLS-ROYCE, the UK aero engine company, has signed an agreement with Ishikawajima-Harima Heavy Industries to share risks and revenues on the Rolls-Royce RB211-524 engine programme.

IHI will take a 5 per cent share of the programme and is the second Japanese engineering company to share the RB211-524 programme. Kawasaki Heavy Industries already has a 4 per cent share.

The RB211-524 series of engines is at the high-thrust sector of the aero engine market. They range from 58,000-67,500 lbs of thrust, with the capability to be developed to more than 75,000 lbs, for use on the largest four-engine Jumbo jet airliners and on twin-engine airliners for long-range over-water operation.

Rolls-Royce already has a link with the two Japanese heavy engineering companies through the Japan Aero Engine Corporation, which is a partner in International Aero Engines (IAE).

IAE is the consortium of Rolls-Royce of the UK, Pratt & Whitney of the US, MTU of West Germany and Fiat Aviazione of Italy. RR has a 30 per cent share of the IAE programme, which is currently concerned with developing the V2500 aero engine.

Rolls-Royce is holding talks with the UK engineering company, Northern Engineering Industries, about partnership arrangements. Northern Engineering Industries has links with Mitsubishi, one of Japan's largest engineering companies.

Robert Taylor adds: Scandinavian Airlines Systems (SAS) has bought four more Boeing 767-300 extended-range aircraft as part of a £1bn investment programme this year. The order is worth around $300m and the aircraft are due for delivery in 1990/91.

Three are to replace DC10s on the routes to Bangkok and Singapore, while the fourth will operate between Copenhagen and Greenland.

UK NEWS

MPs query Lawson's interest rate policy

By Simon Holberton, Economics Staff

MR Nigel Lawson, the Chancellor of the Exchequer, is walking a tightrope in his conduct of the Government's economic policy, Mr Terence Higgins, chairman of the all-party House of Commons Treasury Committee said yesterday.

Mr Higgins, Conservative MP for Worthing, questioned whether the aim of using interest rates both to bear down on inflation and help correct the trade deficit would work. An abrupt downturn in the economy could result in higher unemployment, while sterling could fall sharply and ignite inflation if there was a prolonged delay to the high interest rates.

He was presenting his committee's report on the Chancellor's Autumn Economic Statement, the annual outline of Government spending plans.

The Committee said that despite Mr Lawson's claims that the Government was committed to reducing inflation he had not been very successful in doing so. It said a consistent feature of his medium-term forecasts of the economy was that "3 per cent inflation always remains three years from being realised."

In a note to the committee, the Treasury said its model of the British economy suggested that the UK should produce a surplus in trade of goods and services when the Government had a budget surplus. The current behaviour of the private sector meant that this finding had to be over-ridden.

The Treasury said that an external deficit created by "exceptional private expenditure" would normally be temporary because of "various stabilising factors" which would tend to reduce spending.

In the Autumn Statement the Treasury said the UK would produce a current account deficit of £13bn this year but that it would narrow to £11bn in 1989. In written answers to the committee, it said that the £2bn improvement in trade would be made up by a £1bn gain in physical trade and a £1bn gain in invisible exports.

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Delta, Hawker Siddeley combine cable businesses

By Terry Dodsworth, Industrial Editor

DELTA and Hawker Siddeley, two of Britain's leading electrical cable manufacturers, are merging their power and general purpose cable businesses in a £200m joint venture aimed at competing more effectively in Europe.

Delta said yesterday that the new company, which has combined profits of about £23.4m and net assets of £75m, would be the largest UK group of its kind. It will have about a third of the £600m a year market in power and general purpose cables, where BICC is the leading UK competitor.

Delta will have management control of the joint company, in which it will have a 64 per cent stake, equivalent to the proportion of net assets it is contributing. Hawker Siddeley will have an option to increase its 36 per cent shareholding to 49 per cent in 1992 by subscribing for additional shares on a profit-related basis.

There was speculation in London yesterday that the merger would lead to some rationalisation moves. The two constituent companies have broadly overlapping product ranges, with nine factories employing 2,500 workers between them scattered around Britain.

The companies said yesterday that the group would be able to achieve the most efficient use of the combined manufacturing facilities. "The scale of operation will also justify the investment in product and manufacturing technology required to support a competitive approach to the European market through the 1990s," they said.

The thrust of both companies' cables strategy in recent years had been to focus on low cost production.

Their move follows a series of expansionary transactions at BICC, which has an annual turnover of around £400m in the UK cable sector. BICC, which has around half its sales in the telecommunications cables business, where the two other companies are not present, has bought stakes this year in both CEGC of Spain and Ceatcavi in Italy which will add about £300m of turnover in a full year.

The total European cables industry, including telecommunications activities, is estimated to be worth about £6bn, of which the UK has around £1.5bn. The dominant players include Alcatel in France, Pirelli in Italy, and AEG in West Germany.

John Edmonds to lead what will be second biggest UK union with 877,000 members

GMB, Apex unions vote for merger

By Charles Leadbeater, Labour Editor.

GMB, the general union, and Apex, which represents office workers, are to merge and create the second largest UK trade union after members voted overwhelmingly in favour of the move.

The merged union, which will have 877,000 members, will be formed in March next year. It will be led by Mr John Edmonds, GMB general secretary.

He said that he planned further amalgamations to create a union with between 1.25m and 1.5m members by the middle of the next decade.

The merger will create a powerful union to the right of political centre in the labour movement. It is a crucial step in Mr Edmonds' plan to modernise the GMB's organisation to offer members a more flexible, individual service.

The economies of scale created by the merger will allow the union to offer a wider range of benefits and financial, personal and legal services, Mr Edmonds said.

He said that the union planned to move away from the traditional flat-rate contributions system and offer workers a more flexible mix of subscription rates linked to differing types of service.

The merger will considerably strengthen the GMB's position in potentially important areas of union recruitment in the next decade.

Its 160,000-strong grouping of white collar, or office workers, to be called The Apex Partnership, will aim to recruit from office, clerical and other workers. The union also hopes to appeal to women by expanding services tailored for them and by pursuing equal opportunities policies in collective bargaining. It will also seek to ensure that women are adequately represented in policy making. About 310,000 of the union's members will be women.

Edmonds: crucial step

The merger will also strengthen the GMB's position in competition over single-union agreements on greenfield sites. Mr Edmonds said the union could now represent every occupational grouping within companies ranging from unskilled manual workers and skilled workers to technicians and white collar staff.

The gradual erosion of distinctions between the terms and conditions of blue collar, or manual staff, and white-collar workers would also strengthen the union, he said.

The merger is a significant development in the continuing rationalisation of Britain's union structures. Merger talks between the 800,000-strong AEU engineering union, and the 360,000-strong EETPU electricians union are likely to come to a head in the New Year, as the Transport and General Workers Union opens amalgamation talks with the National Union of Mineworkers.

This year ASTMS the white-collar union and Tass, the manufacturing union merged to form the 600,000-strong MSF.

Hong Kong transit chief for London

By Richard Donkin

THE British Government has turned to Hong Kong to find a new chief for London's bus and underground systems.

Mr Wilfred Newton, chairman of the Hong Kong Mass Transit Railway, is to take over as chairman of London Regional Transport in March for a five-year term.

He will succeed Sir Keith Bright, who resigned as chairman in November after the inquiry into the King's Cross Underground fire in which 31 people died. Dr Tony Ridley, who resigned as chairman of London Underground at the same time, was also formerly with the Hong Kong MTR.

At London Regional Transport, Mr Newton, 60, a former managing director and chief executive of T&N, the engineering group, will be reponsible for ensuring that all 104 recommendations of the Fennel report on the Kings Cross fire have been carried out. He inherits the broad problem of tackling congestion on the Underground, on which the number of passenger journeys has risen from 498m in 1982 to 792m in 1988.

The Transport Department said yesterday that Mr Newton's experience running the MTR under control of the Hong Kong Government was a prime factor in the appointment.

He faced similar problems in Hong Kong to those of London and was charged with guiding the system to sustained profitablity in the face of rising debts.

One of his chief tasks was to oversee the development of the Island line in Hong Kong, the third and final leg of MTR's expansion.

He was also appointed to head the Hong Kong Futures Exchange after the crisis it faced after the stock markets crash in November last year.

In the UK, Mr Newton headed what was then Turner and Newall as the company began facing mounting compensation claims for asbestos-related diseases.

In 1983 he moved to take up the Hong Kong post. That followed earlier periods working for Mobil Oil in Japan during the 1960s.

Mr Newton's salary as head of LRT was not disclosed.

Northern shoppers lead a late Christmas rush

By James Buxton, Ian Hamilton Fazey, Anthony Moreton, Richard Tomkins and Maggie Urry

WITH three shopping days left to Christmas, Britain's retailers say that once again sales will have hit record levels in the crucial pre-Christmas trading period – barring a nation-wide blizzard, that is.

Yet again Woolworth, the chain store, will sell enough wrapping paper to cover both sides of the Great Wall of China, and enough Christmas tree lights to stretch from London to New York. As usual John Lewis, the department store group, is bracing itself for a last-minute rush of "wild-eyed men in the perfumery department."

But there is distinct disappointment among several leading stores that business is not just that little bit brisker. Mr Geoffrey Maitland Smith, chairman of Sears, owner of Selfridges department store, Mappin and Webb jewellers, and the Dolcis to Freeman Hardy and Willis shoe chains, detects "a hesitancy in the air."

He reckons that the moves by Mr Nigel Lawson, the Chancellor of the Exchequer, to slow the consumer boom by putting up interest rates, and thus mortgage payments and the cost of credit, have hit consumers' confidence perhaps more, so far, than their pockets.

Many retailers argue that Christmas has been "late" this year. As Christmas Day falls on a Sunday, shoppers are leaving much present-buying until Christmas Eve. With a full six trading days in the final week, two more than in the week before Christmas last year, week-by-week comparisons have been thrown out. The John Lewis department stores weekly figures showed a late surge in sales, with the week to December 10 showing a record of over £34m of sales.

The slow start to Christmas had persuaded some retailers to start full-scale sales earlier than the traditional January. Others are offering lower prices on certain lines.

However, this week is now very busy, shops say. Mr Richard Ross, joint managing director of Sock Shop, says: "We've never had to wait this late to hit targets." But he added that this week sales were "fantastic."

Boots the Chemist expects to take more than £100m in its shops this week for the first time ever. At Ratners, the group which has pioneered cut-price jewellery, Mr Gerald Ratner said "Christmas is absolutely tremendous."

Toy retailers appear to have seen no fall-off in sales. Mr David Rurka, managing director of Toys R Us, the toy superstores, said: "We do not comment on current trading, but we are very pleased."

Fashion retailers are less happy. Mr Ian Steven of A Goldberg & Sons, the Glasgow-based fashion group, said: "Christmas is not up to expectations. There is not enough volume." He added that credit card sales have "dropped away substantially" as people begin to worry about their level of debt.

There has been a wide divergence between the level of sales in different parts of the country. For once the North of England and the Midlands appear to be faring better than the normally more prosperous South East. Mr Ratner admitted that "London and the South is worst, Scotland is not great, and the Midlands and North are best. Last Christmas it was the reverse."

The latest figures from John Lewis, for the week to December 10, show a great disparity between stores. While the group's central London stores, Peter Jones and John Lewis, showed sales gains of 2.9 per cent and 6.7 per cent respectively over the same week last year, sales at the George Henry Lee shop in Liverpool rose by 10.0 per cent, at Cole Brothers, in Sheffield, by 10.2 per cent and at Robert Sayle, in Cambridge, by 13.3 per cent.

Mr Richard Weir, director-general of the Retail Consortium, puts it down to later buying in the South East, and he believes that "in the South East it is not so much people not spending as spending later than elsewhere."

Stores argue that higher house prices, and consequently larger mortgages in the South East mean that people there are suffering a tighter squeeze on their disposable income from the rise in mortgage rates. There is also perhaps, a little less certainty about jobs, for example in the City of London financial district

Meanwhile, in the North unemployment has been falling and the cost of living is lower, leaving people with more cash in their pockets than a year ago. Mr Bill Pudney, a senior Marks and Spencer manager who is vice chairman of Manchester Chamber of Trade, says: "Christmas trade is also less volatile in the north because less well-off people have traditionally planned by saving up for it in Christmas clubs.

There has been a lack of tourists in London too. Laura Ashley the fashion and home furnishings group, says that the number of VAT refunds made to tourists has halved.

Late-night shopping evenings on Thursdays in many Northern cities have been turned into family outings, with pedestrian-only streets seething with people, car parks jammed and what, in Liverpool, has been described as "pandemonium."

Mr Gordon Allanson, chairman of the Eldon Square Merchants' Association in Newcastle, said: "The multiples here are ahead of their national figures. Mondays have been as strong as Saturdays. People have been buying big items such as carpets, furniture and brown and white goods."

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Deeside retail and leisure plan raises controversy

By Ian Hamilton Fazey, Northern Correspondent

PLANS for a £250m retail and leisure complex on Deeside, one mile inside the Welsh border, are likely to encounter strong opposition from retailers in north-west England.

The Deeside Waterfront scheme, unveiled yesterday, is supported by the Welsh Development Agency and led by Tarmac Construction. It will be controversial because it will be successful only if it pulls in many customers from England at the expense of local, often struggling, economic zones.

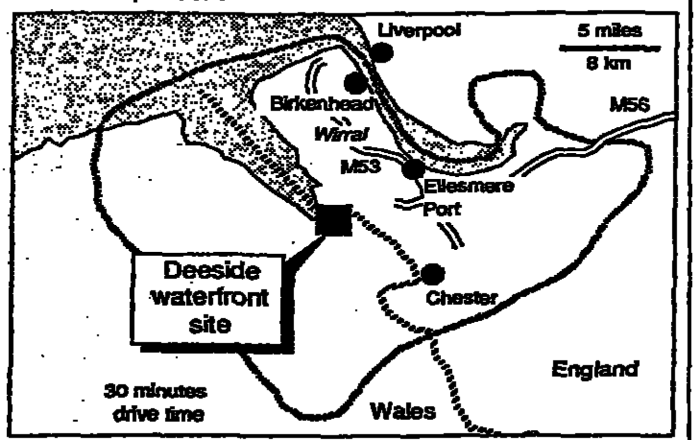
Three million people are within 45 minutes' drive of the complex, situated mainly on the site of the shut-down section of Shotton steelworks.

The WDA has given £100,000 towards developing the scheme – which could create more than 6,000 jobs – and has re-deployed a senior civil servant as project executive.

Liverpool Stores Committee, which represents all the main retailers in the city centre, is already planning to fight the scheme at any public inquiry.

The developers say that Liverpool, although only 40 minutes away, will be little affected. Yet they do concede a larger impact on Chester, where shopping and tourism are crucial to economic development, and on the Wirral peninsula and Warrington.

However, they are confident that the Government will allow their scheme and turn down rival proposals at Ellesmere Port and Chester, because the latter are on greenfield sites while theirs would regenerate derelict land.



They accept this may require some politically delicate diplomacy between the Welsh Office and the Department of the Environment, where the ultimate decisions will be made.

Detailed studies of the scheme's impact on the regional economy, retailing, the environment and leisure markets were published yesterday. These have been funded by Tarmac and the WDA.

The scheme includes 1m sq ft of retail space, a 350-berth marina linked to the River Dee and Liverpool Bay, a waterside village of up-market homes, a park, hotel, conference centre, multi-screen cinema and water-life conservation and study facility. The little ringed plover – a Schedule One bird breeding species – looks like the only local inhabitant to face serious inconvenience.

Opponents are likely to point out that nothing similar could happen in England, where depressed areas do not have government-funded development bodies similar to those in Wales and Scotland backed at the highest level by their own ministers in the Cabinet.

Mr Peter Walker, the Welsh Secretary, may argue that more than two-thirds of the jobs involved would go to people living in Wales.

In England, all schemes involving more than 500,000 sq ft of retail space are automatically subject to a public inquiry and a decision by the Environment Secretary in the national or regional interest. North-west retailers will try to prove that on Deeside there may be a conflict of interest between England and Wales.

Hard sell on a cut-price Christmas

Maggie Urry on why retailers are finding it a tough season

"LOOK!" a woman said to her husband, pointing at a festive pyramid of chocolate tins. "£1 off the original price. I bet on Christmas Eve they'll have cut the price to . . . ." She snapped her fingers and said: "Let's come back then."

That scene in BhS in Oxford Street, London, last Saturday afternoon should bring despair to any retailer. Shoppers are not stupid. They know when shops are overstocked and they are ready to get involved in a game of bluff and double-bluff.

It is perfectly logical to a customer: if the shops are cutting prices before Christmas, things can only get cheaper. The retailers have revealed their weak hand and that is fatal in any poker game.

Pre-Christmas price cutting, at least in the south east of England, has been more prevalent this year than retailers can remember. Many stores are already on full sales, some are holding one-day sales, others have a number of lines discounted. Yet the aim of bringing in business, in order to make up for the cut prices, is working only patchily.

Sales overall this Christmas will be at a record level but then they always are. Mr Richard Weir, director-general of the Retail Consortium said: "If sales were down on last year that really would be news."

However, the number of promotions going on – proclaimed by screaming window stickers or full-page advertisements in the tabloid press – cut into the retailers' profit margins. Margins also have to bear the higher costs. Together it could mean that total profits in the Christmas period will be lower.

Said Mr Charles Allen, retail analyst at County NatWest WoodMac, the securities firm: "The headlines will say it's a record Christmas but it certainly will not be for profits."

Mr Geoffrey Maitland Smith, chairman of Sears, which includes Selfridges, the London department store, as well as being the largest footwear retailer in the country, said: "Christmas will be a record. But will it be up to targets? No." If targets are missed, retailers will find it hard to meet their budgeted profits.

Retailers themselves are reluctant to talk about profits, and some will not even discuss current sales trends. Some will pick up sufficient extra volume to pay for price cuts. Some have stood firm and held their normal prices. But others will suffer the double bind of lower prices and static, or even falling, volume.

What is happening this Christmas is symptomatic of the troubles retailers are having. The fear is that after years of a retail boom, 1989 will be a dull year and that shoppers are determined to have one last fling before reining back. "A happy Christmas and an unprosperous new year" as the stores analysts at CL-Alexanders Laing & Cruickshank, the stock brokers, put it.

Most of the blame is put at the feet of the Chancellor of the Exchequer. Mr Nigel Lawson's determination to slow the growth in retail sales through higher interest rates, is now seen to be working. Mr Lawson has made it clear that any sign of a resurgence will be hit firmly on the head by yet higher interest rates.

Added to the difficulties caused by weak sales growth, retailers have to face rapidly rising costs for rent, rates and wages. There is already plenty of evidence that stores companies will do well to increase their profits by even a small amount in their current financial year, otherwise than through acquisitions or rapid, and these days less and less profitable, expansion. Many, such as Next, the high street and home shopping group, which has already admitted trading is difficult, will see significantly lower profits.

Electrical shops were the first to suffer the problem of weak sales – Dixons' sales slumped after the stock market crash in October last year. Since then, clothing retailing has taken over as the most difficult sector.

A poor summer, both in terms of the weather and the lack of enticing fashions, has been followed by an unusually mild autumn and again no new trend in looks. Worse, for the retailers, there has been an enormous expansion in the number of clothes shops in recent years and now the customer is spoilt for choice.

Mr Ian Steven, finance director of A. Goldberg & Sons, the Scottish-based retailer which has been expanding into England, said: "There are too many shops chasing the same customer. If I see one of our profile customers on the street she is carrying one bag from here, one from there and one from the next place. We are not getting the bulk buying any more – we have taught the customer to be more discriminating."

What has happened in electricals and clothing is spreading elsewhere, particularly to the high-priced items usually bought on credit, such as furniture and white goods.

There are undoubtedly some areas of retailing which will be less badly affected by a slowdown. If consumers cannot afford a washing machine or sofa they may well treat themselves to low-ticket items ranging from a packet of biscuits to a bottle of perfume.

Mr Roy Bishko, head of Tie Rack, suggested that instead of buying a suit, men might simply get a few ties to jazz up their old suits.

Having been one of the stock market's favourite sectors in the mid-1980s, the stores look like ending the decade under a cloud. Some of the worst performing shares of the past year have been of stores groups, and many brokers believe the turning point is a long way off.

There may be scant cheer this Christmas but retailers will have to make the most of it.

A SLOWDOWN in Christmas credit card borrowing this year was predicted yesterday by Mr Peter Ellwood, chief executive of Barclaycard, writes David Barchard.

He said that borrowing using the card would probably be lower in real terms this Christmas than it was a year ago.

Barclaycard's latest monthly figures for November show that while turnover was up 35 per cent on the same month last year, reaching £721m, borrowing on the card was up only 4.4 per cent.

This is because of a steady rise in the number of Barclaycard customers who settle their accounts in full each month. This has now grown to 46 per cent.

However, Barclaycard believes that the trend does not reflect the slowing down of consumer spending after the rise in interest rates, but rather the increased sophistication of customers who prefer to avoid interest charges and use credit cards as a convenient payment method.

Borrowing on storecards, the payment cards issued by the big retail groups, has also shown a tendency to shrink during the past 12 months.

Mr Ellwood said that he believed the contribution of credit cards to the consumer credit boom was minimal. "Bank credit cards account for only about 2.5 per cent of personal credit in the UK and Barclaycard for under one per cent." he said.

Strathclyde to get top £380m EC grant

By David Buchan in Brussels and James Buxton in Edinburgh

THE EUROPEAN Commission yesterday announced grants and loans totalling £592m for the Strathclyde and Humberside regions, in new integrated programmes reflecting a wider reform of Community structural aid.

The grants will come from the EC's Regional and Social Funds, and the loans from the European Investment Bank (EIB) and the European Coal and Steel Community (ECSC), and will be paid out up to 1991 in the case of Humberside, and 1992 in the case of Strathclyde. Strathclyde is to receive £380m and Humberside the remainder.

The projects are among the EC's first integrated development programmes – similar large scale schemes are under way in Belfast, Birmingham and Naples. Their aim is to achieve the best combination of public and private investment in member states. Such schemes will become common with improved co-ordination of all EC structural funds.

Mr Ian Lang, Scottish Industry Minister, said the Strathclyde financing was easily the biggest-ever EC Regional Fund grant for the UK.

Mr Bruce Millan, the former Glasgow MP who takes over next month as the EC Commissioner responsible for regional policy, said yesterday: "I'm very pleased to see the Strathclyde region being one of the first to take an initiative of this kind and reap the benefits from it."

Strathclyde Regional Council, which with the Scottish Office negotiated the financial package, said that national and local government would contribute £246m to the project, and that the private sector was expected to put up £371m, bringing the total value of the scheme to £995m. The project is intended to create 35,000 new jobs by the year 2000.

The Strathclyde region, centred on Glasgow and the Clydeside conurbation, has suffered a 59 per cent fall in manufacturing employment over the past 20 years and has an unemployment rate of 15.6 per cent.

The council sees the object of the new scheme as to create "a sound base for long-term self-sustaining economic development" by building on existing redevelopment projects and new high-technology industries such as electronics, as well as on Glasgow's strengths as an established commercial and cultural city.

The EC's £126m of grants and £86m worth of loans to Humberside is designed to help create some 23,000 jobs in a total investment programme of more than £300m, with an estimated £50m coming from the private sector. The programme's aim is to improve the economic climate for new investment and to mitigate the rundown and closure of traditional industries.

Hitherto, most EC money has been parcelled out in small, annual packets, with little co-ordination between the various Brussels-based funds. Last year the Commission approved some individual 18,000 grants and loans throughout the Community.

Most of EC structural aid, which is to double over the next five years, will go to poorer southern countries.

However, the UK expects its share to increase from £700m to £1bn a year over the same period.

Canadian group and council outline £3bn project for Leeds

By Ian Hamilton Fazey

TRIPLE FIVE, the Canadian property, uranium mining, banking and hotels group, yesterday signed a preliminary agreement with Leeds City Council and Leeds City Development Company to work on plans for a £3bn shopping, commercial and leisure complex in Leeds.

If the scheme goes ahead it would be the biggest of its kind attempted in a British city by a partnership of public and private sectors.

The 100-acre site is in central and south Leeds, near the M1 and M62 motorways. About half the cost would go on buildings and the rest on site development, infrastructure and acquisition.

Triple Five, which developed the world's largest retail, commercial and leisure complex in Edmonton, Alberta, will now prepare plans to put to the Leeds Development Corporation, the Government's agency for regenerating the inner city, which has local planning and land assembly powers.

Leeds City Development Company is joint venture between the local authority and private sector property developers formed earlier this year.

The Leeds scheme, which is not yet at the stage of seeking outline planning permission, would have 3m sq ft of office space, a 1,500-bedroom hotel, a 250,000 sq ft trade, conference and exhibition centre, a 100 sq ft cabaret and entertainment complex, a marina and leisure facilities, and 2m sq ft of shopping. There would also be 6,000 homes.

The venture would be Triple Five's first in Europe.

Mr Les Carter, the former deputy Lord Mayor, persuaded the company to come to Leeds after he met its principals at an Edmonton conference. Triple Five executives have followed up with several visits, culminating in what Leeds council officials were yesterday claiming to be "a world coup" for the city.

Post Office profits hit by strike

By Terry Dodsworth, Industrial Editor

THE UK postal workers strike in September pushed the Post Office into a loss of £15m on its letters and parcels services in the half-year to the beginning of October.

The loss compares with profits of £25m in the same period of last year and was reached only after taking in interest earnings on the Post Office's liquid funds of £17m. Without this interest, the letters service lost £32m on an operating basis, compared with a profit of £16m in 1987.

The impact of the strike is shown in turnover figures which were virtually static at £1.45bn in the six-month period.

Until the dispute, the letters and parcels division had been showing steady growth of almost 8 per cent a year.

The Post Office said yesterday that it was unable to make forecasts for the full year because postal volumes had not returned to a steady pattern in the wake of the dispute.

Immediately after the strike there was a surge in business, with twice as much mail being pushed through the system on some days.

However, the company added that this Christmas was likely to see another record in deliveries, rising to about 1.5bn over the period against 1.4bn last year.

The Post Office group as a whole, including its counters and Girobank divisions, achieved pre-tax profits in the half year of £12m against £46m a year ago.

Before interest, the group lost £14m against a profit of £35m in 1987 but its interest earnings this year amounted to £26m, reflecting the large build-up of liquid funds caused by rising profitability in recent years.

Although these funds vary widely from day to day, because of the cash demands of the business, the Post Office is holding balances of about £500m.

Scots insurers plan tied status

By Eric Short

THREE Scottish life insurance companies have followed the lead given last week by Norwich Union and announced they intend to market their services through tied agencies or appointed representatives.

All three companies – Scottish Amicable Life Assurance Society, Scottish Mutual Life Assurance and the Life Association of Scotland – are members of Camifa, the Campaign for Independent Financial Advice.

Under the polarisation requirements of the Financial Services Act, intermediaries marketing life assurance and unit trust products must either be completely independent or representatives of just one life company.

Over the past two years 14 life companies, mainly mutuals, have supported Camifa. They pledged that they would fully support the independent financial adviser even to the extent of refusing to consider accepting business from any other source.

However, the monetary and administrative pressures facing independent advisers have been increasing.

These pressures culminated in last week's proposal from the Securities and Investments Board, the central regulatory body, that independent advisers will have to disclose their commission payments.

There will be no corresponding obligation for company representatives to disclose remunerations.

The life company members of Camifa are finding that more and more independent advisers want to become company representatives.

This would enable them to receive higher remunerations without having to disclose the amount and also to avoid the administrative burden.

In particular, several building societies, which are currently operating as independent advisers, are known to be considering switching to be company representatives.

At a meeting of Camifa last week, its rules were changed so that members could set up tied agencies and the future objectives of Camifa were changed.

Job-creation powers for councils

By Richard Evans

LOCAL authorities are to be given new powers to aid economic development in their areas in an effort to increase inner-city employment.

Mr John Gummer, Local Government Minister, announced in a Commons written answer yesterday that the Government intended to introduce a new, general, but circumscribed power for councils to engage in more economic development initiatives.

"The new power will greatly simplify the position. At the moment local authorities have no specific powers for economic development spending, but can use a number of other powers. The aim is to make sure expenditure by local authorities can be targeted for maximum benefit," he said.

The new power will be framed as a general power to allow councils to undertake expenditure to facilitate economic spending by others. Economic development will cover investment in – and the creation of employment in – commercial, industrial or public undertakings in their areas.

The intention is that local authorities themselves should not be able to undertake most direct manufacturing and trading activities, banking, insurance business, investment banking, media activities and the provision of certain professional services such as conveyancing and audit.

While the new power will be available to all principal local authorities, expenditure on grants, loans and guarantees to businesses conducted with a view to profit will be restricted to areas which have a particular need to promote development.

Local authorities will be asked to prepare a separate account of their activities, on both capital and revenue account, under the new powers, and will be required to consult the local business community.

The Association of District Councils gave a warm welcome to Mr Gummer's initiative. Mr Roy Watkiss, chairman of the ADC's economic development committee, said the association had been pressing ministers for years to give a specific power to district councils for economic development.

"We have argued that the restrictions on local authority spending are sufficient, without financially restricting this new power. We are pleased that the Government now agrees," he said.

Higher Clowes payout likely

By Richard Waters

INVESTORS in Barlow Clowes International, the offshore arm of the collapsed investment group, can expect to get back between 35p and 45p for every £1 they invested, according to a report prepared by the group's joint liquidators.

The estimate, which is the first formal confirmation by the liquidators of how much they expect to recover, is substantially higher than some predictions of the losses likely to be suffered by the 11,000 BCI investors.

The amount recovered will be higher still, and possibly top 50p in the £1, if BCI succeeds in its claim that offshore funds were funnelled into Barlow Clowes Gilt Managers, the UK-based part of the group.

The liquidators, Mr Michael Jordan of Cork Gully and Mr Nigel Hamilton of Ernst & Whinney, revealed these figures in a report being sent to all BCI investors. They estimate that they will recover between £40m and £50m in all.

The liquidators' report reveals that in all, £225.6m was invested in the fund, although investors withdrew £109.8m before its collapse. This leaves claims of £115.8m, or about £10m more than had been estimated.

This figure does not include a further £24.4m of notional gains credited to investors' accounts but which were never realised by the fund.

● The liquidators will return to the High Court in London on January 17 to seek permission to make an interim payout of 25p in the £1 to 6,000 investors in the UK fund.

This follows the collapse earlier this month of attempts to make a payment before Christmas. It was defeated since the extent of claims by BCI against BCGM in respect of money which flowed between the two had yet to be finalised.

Mr Michael Jordan, one of the two liquidators, said that he hoped a payment could be made to UK investors before the end of January.

School buildings budget announced

By David Thomas, Education Correspondent

LOCAL education authorities are to be allowed to spend £352m on buildings and equipment in schools and colleges next year, the Government announced yesterday.

Mr Kenneth Baker, the Education Secretary, said the allocation for 1989-90 was broadly the same as this year's figure, after allowing for the transfer of polytechnics out of local authority control. He stressed that there were increased allocations for voluntary schools, such as religious schools.

Mr Jack Straw, Labour's education spokesman, attacked the provision for failing to make good in real terms the 27 per cent cut in local government capital spending on schools since 1981.

Mr Baker yesterday told inner London councils that he would be prepared to look again at how the capital's educational needs were assessed in view of the higher costs.

The Labour-controlled Association of London Authorities told him that London's education would be short of £300m in 1990, equivalent to educational cuts of 30 per cent or an increased poll tax of £200 per person.

Pearson explores India newspaper plan

By Raymond Snoddy

PEARSON, the publishing, banking and oil services group which owns the Financial Times, is exploring the possibility of launching an English language business and financial daily for India in a joint venture with the Modi Group.

The venture would need Indian Government permission. If it goes ahead, the newspaper would be probably be transmitted by satellite for printing in the cities of New Delhi, Calcutta and Bombay.

Modi is one of India's largest business houses with interests ranging from rubber, engineering and textiles to pharmaceuticals and electronics. If the newspaper goes ahead, Modi and Pearson would each have a 40 per cent stake. The remaining 20 per cent would be held by local shareholders.

An Indian financial daily would fit in with the Financial Times' strategy of acquiring or taking stakes in leading business dailies around the world.

Commission approves aid to shipbuilders

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday gave its formal approval to almost £200m of government aid to British Shipbuilders. This clears the way for the privatisation of the remaining publicly-owned yards.

The decision covers Appledore Ferguson Shipbuilders in Devon and Clark Kincaid in Greenock, which are to be sold, as well as North East Shipbuilders in Sunderland, which is to be closed following the failure to find a suitable buyer.

The aid package includes two main elements: non-contract related operating aid amounting to £80m for 1987 and 1988 and certain investment and closure-related funds amounting to £108.6m. Commission approval had to be sought because even though British Shipbuilders will no longer have any shipbuilding activities, the arrangements have to be compatible with the terms of the EC's sixth Shipbuilding directive.

The Commission's verdict covers proposals to finance the redundancies involved and to re-train former shipyard workers as well as encourage new businesses.

High Court rejects move to block Bradford cuts

THE HIGH COURT has rejected an attempt to block Bradford City Council's proposed package of cuts in services and privatisation.

Three judges yesterday unanimously rejected claims by Miss Jemima Wilson, a Bradford pensioner, that Mr Smith Midgley, the Conservative Lord Mayor, abused his powers by using his casting vote in favour of the package at a council meeting in October.

Miss Wilson, who lives in an old people's home which the council plans to privatise, alleged that Mr Midgley broke the council's standing orders and defied the legitimate expectation of voters that he should act in an impartial way and vote to maintain the status quo. She argued that the Lord Mayor should be above the political fray.

Lord Justice Bingham said it was an attractive submission that the Lord Mayor's impartial approach in presiding over meetings should also apply to his use of his casting vote. But he very much doubted if parliament intended to bind municipal chairmen in such a way in 1835, when the casting vote was first conferred.

The submission that the Lord Mayor acted unlawfully by breaching standing orders had also not been established.

Water companies lose stock purchase appeal

By Andrew Hill

THE HIGH COURT yesterday dismissed attempts to outlaw the purchase of stock in the private water sector by the 10 public water authorities, a decision which could have wide implications.

Lord Justice Parker and Mr Justice Henry said they regarded declarations, sought by the Water Companies Association and four of the 28 quoted water companies which it represents, as much too wide.

The companies are considering an appeal against the judgment, which followed a judicial review two weeks ago. The statutory companies, which supply water within areas covered by the water authorities, had argued that they should be independent of the authorities, according to the 1973 Water Act.

However, Mr Justice Henry, delivering the judgment, said he could detect no broad principle of intention in the act to keep the operational independence of the water companies sacrosanct. He added: "Indeed, I do not see why a water authority could not acquire control of a statutory water company provided the . . . safeguards of ministerial approval and local inquiry in case of objection were not avoided."

The court said there were likely to be many circumstances in which the purchase and use of water company shares by the authorities would help them to carry out their statutory functions.

The companies had asked the court at the judicial review for two declarations and a mandatory order. They were challenging investment decisions made by Southern Water Authority, which holds large stakes in three water companies in its area, and Northumbrian, which used to own small holdings in two companies.

The association was seeking:

● A declaration that the purchase of water company stock exceeded the authorities' powers.

● A declaration that the exercise, by authorities or their nominees, of voting rights attached to water company stock, in order to influence the management or control of the company, was outside the authorities' powers.

● An order that the two authorities sell, or ask their nominees to sell, the stock of four water companies which they hold or in which they have a beneficial interest.

The High Court said yesterday the water companies had failed to establish the points of principle which might have justified the declarations. Costs were awarded against the WCA and the four companies, Eastbourne, West Kent, Newcastle and Gateshead, and Sunderland and South Shields.

The companies had taken as an example of an authority hindering a company's independence, the proposed merger between West Kent Water Company, which is within Southern Water Authority's area, and East Surrey, which is not. In October 1987, Southern used a 14.65 per cent stake held by nominees in West Kent to thwart the plans.

The court agreed, provisionally, that such action was not a lawful use of the authority's powers but pointed out that safeguards were available.

UK NEWS

MoD record on naval dockyards criticised by MPs

By David White, Defence Correspondent

EFFICIENCY gains at naval dockyards, which were transferred to commercial management last year, may be less than expected because of reductions in the programme for refitting warships, the Commons Public Accounts Committee said yesterday.

Robert Sheldon: committee cited failings in standards

In a report attacking the Ministry of Defence's record in the running of the dockyards, it complained that the ministry had failed to provide indicators for comparing results before and after the transfer.

"This means that Parliament will be unable to judge on this basis the success or otherwise of commercial management," it said.

Management of the dockyards at Devonport near Plymouth and Rosyth on the Firth of Forth was transferred in April last year after competitive tenders.

Devonport Management (DML), headed by US construction company Brown and Root with the Weir Group and Balfour Beatty, and a consortium made up of FKI-Babcock and Thorn EMI, are on seven-year contracts.

More than 3,000 jobs have been shed at the yards since transfer plans were drawn up and further redundancies are under way at Devonport.

The cross-party committee, which is chaired by Labour's Mr Robert Sheldon, questioned whether the MoD had enough information to support its choices for the contracts.

"We cannot accept that the ministry were as well placed as they should have been to choose the most suitable managers," it said.

The Institute of Professional Civil Servants, representing 3,000 engineers and technicians at the dockyards, said the report demonstrated that the rushed transfer was "a catalogue of incompetence and inefficiency." It accused the MoD of misleading both the new managers and employees about the workload that could be expected.

It also criticised the MoD for the limited amount of Royal Navy work put out to competition between the two dockyards and other commercial ship repair companies.

"For the foreseeable future, most of the dockyards' workload will be allocated to them on a non-competitive basis, with only warship refit planned to be open to competition during the seven-year period of the term contract."

The reduced refit programme should make room for staff cuts at the 780-strong customer organisation set up by the ministry to manage dockyard contracts, the committee argued. This staff is based mainly in Bath.

The Navy's reduced work requirements stem partly from the fact that modern gas-turbine warships need to spend less time in refit than their predecessors.

The committee's report described the situation of the yards at the time they were handed over as "an indictment both of the dockyards' management in earlier periods and of the Ministry of Defence."

Citing failings in standards of work, quality control and pricing methods, it said it was "clearly the ministry's responsibility to have taken steps to improve these matters beforehand."

It cast doubt on the ministry's ability to negotiate tight prices for completion of jobs in progress, because of the poor state of records on work done prior to the transfer.

It said the MoD had admitted "that there was an accumulation of surplus materials lying about in the dockyards for many years".

Merger meeting 'invalidly adjourned'

By Raymond Hughes, Law Courts Correspondent

MR OLIVER Dawson, chairman of London Life, Britain's oldest mutual insurer, invalidly adjourned a meeting of the company called to seek policyholders' approval for a proposed merger with Australian Mutual Provident Society, the Court of Appeal ruled yesterday.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, said the adjournment of the meeting at Cinema One in the Barbican to the Café Royal had been unreasonable and invalid because it had denied some policyholders the opportunity to speak and vote on the merger resolution.

An immediate decision on the resolution had not been necessary as there was enough time for a fresh meeting to be convened before the completion date for the merger next March, Sir Nicolas said.

The court was giving its reasons for a decision earlier this month to allow an appeal by Mr Julian Byng, a London Life policyholder, against the High Court's ruling last month that the meeting had been validly adjourned.

As a result of the appeal's success, another extraordinary meeting has been called for January 27 and London Life's application for the court's sanction of the merger, which should have been heard on December 12, has had to be deferred until February.

The Barbican meeting on October 19 was attended by many more policyholders than had been expected. Audio-visual links between the cinema and overflow accommodation proved inadequate and the meeting ended in uproar.

Mr Dawson decided on an adjournment after being warned that there was "a real risk of violence". The meeting reconvened at the Café Royal later in the day when the resolution approving the merger was passed.

Sir Nicolas Browne-Wilkinson said that if the circumstances were such that the views of a majority at a meeting could not be validly ascertained, the chairman had a limited power to adjourn it to give everyone a reasonable opportunity to speak and vote.

However, the judge said, there was nothing to suggest that Mr Dawson had taken account of the fact that there had been time to call a fresh meeting giving the required 21 days notice.

There was no absolute necessity to obtain approval of the merger until March 31 1989, although it would have been much easier to put the merger into operation if completed on December 31.

Sir Nicolas also said Mr Dawson did not seem to appreciate that those who could not be at the Café Royal would not only be unable to speak but would be unable to vote.

The judge said: "If the time factor had been such that the merger proposal could not have been carried through at all unless there was an immediate decision on the resolution before the meeting - the matter might have been different. But in fact there was no compelling time factor in this case."

Palmer & Harvey bought out

By Nikki Tait

A MANAGEMENT buy-out proposal has won the auction for Palmer & Harvey, the tobacco and confectionery wholesaler which is one of Britain's largest private companies.

Aurasound, a company established by the management will acquire Palmer & Harvey for £86m.

Palmer & Harvey was founded by Mr Archibald Stone, as a wholesale tobacco business based in north London, in 1925.

The company supplies tobacco and confectionery products to 40,000 outlets. It also supplies snack foods, glassware and catering goods to petrol stations and pubs.

In the year to April 2, sales were about £847m and pre-tax profits £10m.

In October Mr Stone's descendants - no longer directly connected with the business - put the company up for sale.

Yesterday, Barings, the merchant bank handling the sale, said that offers had been received for all or part of the business from about 15 potential buyers.

The offer resulted in binding sealed bids from two parties - with the management offer both "financially higher and contractually more attractive."

Barclays de Zoete Wedd is providing mezzanine finance for the buy-out scheme and Barclays Bank loan capital.

Eleven await a call on mobile telephones

Hugo Dixon and Terry Dodsworth describe the alternative telepoint ventures on offer

FEW NEW technologies have raised such wide interest from such a broad range of companies as telepoint, the mobile telephone service to be launched in the UK next year.

Eleven companies - most of them consortia that embrace a mixture of manufacturers, service organisations, retailers and even banks - have come forward with serious proposals to set up telepoint systems.

This week, the lobbying comes to an end. Professor Bryan Carsberg, director general of Oftel, the telecommunications industry watchdog, has promised to advise the companies on the licences by Christmas, and Lord Young, the Trade and Industry Secretary, is expected to announce his decision in mid-January.

Telepoint has created a high level of interest mainly because of the run-away financial success of cellular car telephones.

For manufacturers and service companies alike, telepoint represents another way of moving into mobile communications, widely seen as a mass market of the future.

Once the system is set up, customers will be able to use their portable telepoint telephones at multiple locations around the country. Calls will be made via a radio link at these key points to a base station, that will be able to receive signals from up to 200 metres and then transfer them into the normal telephone network.

Protagonists for the system concede that it has disadvantages. Customers will be able to make only outgoing calls and will be cut off if they move out of range of a base station. However, telepoint will offer a much cheaper service than the cellular system, which is likely to be the basis of its appeal.

Telepoint is designed to cost only slightly more than calls from public telephone boxes; and the companies launching the service claim that it will have the virtue of greater flexibility and personal ownership.

The main arguments over adoption of the service in the past few weeks have centred on the position of British Telecom. Should it be allowed to offer its own telepoint service, or should it be excluded because of its enormous market power in telecommunications?

Supporters of BT's inclusion argue that its presence in the market would boost the public perception of telepoint and give greater assurance of success because of its expertise and ability to set up a service quickly.

They also contend that BT will be the most effective advocate for overseas sales; and they say that it would be unfair to exclude the company after the amount of work it has put into developing basic telepoint technology.

Against this are critics who claim that BT would be able to use its market presence unfairly. They argue that BT's control over the existing wired telephone network, to which telepoint systems will be connected, would lead to an inevitable bias towards its own services if it received a licence.

Setting up a separate arms-length accounting unit, they say, would not be enough to insulate the BT parent company and the telepoint group.

These arguments, along with the issue of how many telepoint operators there should be, have been hammered out among the 11 contenders in the last two months. The Government has not set a limit of four telepoint licences but Oftel's job has been made no easier by the originality of many of the ideas for operating the service. These include:

● Callmaker. A joint venture between General Electric Company and Thorn EMI, the retailing and technology group.

It claims to understand the market better than any of its rivals and that Thorn, which has 2,000 high street outlets renting or selling electronic equipment, will be in a unique position to promote telepoint.

● Callpoint. A joint venture between Shaye Communications, one of the pioneers of telepoint technology, and Motorola, the leading US mobile communications manufacturer.

Callpoint argues that, because it will be providing both the equipment and services, it will have an incentive to implement a telepoint service as quickly as possible. At the same time, Mr Bill Jeffrey, chief executive of Shaye, says that exposure to the consumer end of the market will help company product development.

Bill Jeffrey: exposure to consumers will aid development

● Kingline. A joint venture between Kingston Communications, which runs a telephone system in Hull and Plessey, the electronics company.

It is differentiating itself from the competition by promising to link its base stations to digital telecommunications exchanges. This will allow it to offer a range of advanced services. One that is likely to appeal to the Government, which wishes to increase the competition between British Telecom and Mercury Communications, is that customers will be able to choose through which of the two main networks their calls are routed.

● Mercury Metrophone. A subsidiary of Mercury, BT's only competitor for mainstream telecommunications services.

Mercury is resting its case on its record. It argues it has been good at starting services from scratch - for example, paging and payphones.

● Millicom Telepoint. A subsidiary of Millicom, a US-based mobile communications specialist which also retails cellular services in the UK.

Millicom is relying on its marketing and service skills to win a licence. It also argues that it has the ability to take the technology around the world.

● Philips/Barclays/Shell: this consortium aims to bring together the technology of Philips, the Netherlands-based electronics group, with sites provided by Barclays Bank and Shell filling stations. The idea is that Barclays and Shell will provide highly recognisable names for customers looking for a point to make their calls.

● Phonepoint. Headed by British Telecom, this is an international consortium, embracing Nynex, the New York telephone operating company and a European telephone group, both of which may help BT expand the system internationally. STC, the UK electronics equipment manufacturer, is also part of the joint venture. BT was on the verge of a deal with France Telecom in Europe but this appears to have fallen through.

● Phonezone: Ferranti, the UK electronics group, holds 65 per cent of the company planning Phonezone, along with Telephone Rentals (6.9 per cent) and institutional investors. It is aiming to sub-contract its manufacturing to the AB Electronics component group.

Ferranti has made most of the running in the development of the telepoint concept and claims to be the only group so far to have designed a complete system from base stations to handsets and billing mechanisms. It says it has lined up 18 large companies with multiple sites all over the country.

● Racal Vodapoint. A subsidiary of Racal Telecom, which runs the successful Vodafone cellular network.

Racal's claim on a licence is that it has already proved it can exploit mobile communications. If telepoint is to succeed, it says, the Government will need it to be one of the players.

● Telecom Corporation. A consortium led by the Cable Corporation, which has the cable television franchises for Windsor and Birmingham.

Its unique selling point is that it will encourage cable TV companies to connect telepoint base stations to their networks. This should appeal to Prof Carsberg, who is keen to get cable TV companies into telecommunications so that they can provide local competition to British Telecom - a goal that has so far proved chimerical.

● Telepoint Retailers. A consortium led by Mr Martin Dawes, a millionaire who has made a name for himself by selling cellular services, and Mr Daniel Nabarro, a paging entrepreneur.

Their claim to a licence is that they will involve many small entrepreneurs in their business. Anybody who installs a base station will get a share of the company's equity and anybody who runs a base station will get a proportion of the revenue it generates.

Sunderland ferry building dispute resolved

By Lynton McLain

BRITISH SHIPBUILDERS has reached final agreement with the Danish shipping company VR Shipping of Copenhagen about the future of several ferry boats being finished at North East Shipbuilders, Sunderland, the yard the Government has said will close when the order is finished.

In a joint statement last night, British Shipbuilders and VR Shipping said they had resolved their differences in connection with a 24-ferry contract, worth about £100m. VR Shipping has agreed to take delivery of six more ferries from North East Shipbuilders.

VR Shipping had originally ordered 24 small coastal ferries from North East Shipbuilders. Two of the ferries were delivered at the end of last year, when the Danish company and British Shipbuilders became embroiled in a legal dispute. VR Shipping claimed the ferries were not of the required quality and refused to accept delivery of any more of the ferries it had ordered originally.

Under the agreement announced yesterday, VR Shipping has agreed to take delivery of its final six ferries over the next six months.

Health cash allocation outlined

By Alan Pike, Social Affairs Correspondent

AN even-handed distribution of funds to English health authorities in 1989-90 was outlined by Mr Kenneth Clarke, Health Secretary, yesterday.

Mr Nigel Lawson, the Chancellor, announced in his autumn statement that English health authorities would receive an additional £1.8bn in 1989-90. Mr Clarke was giving details of how the money would be allocated.

Unlike previous years, when funds have been distributed under a set resource allocation formula, designed to even out the spread of resources around the country, most regions will receive increases in real terms of 2.5 per cent.

Mr Clarke said that there was less need this year for severe redistribution of resources because the Government was providing a bigger overall increase in funds than ever before. Four regions with growing populations will receive more than the 2.5 per cent norm. These are Oxford (3.8 per cent), East Anglia (3.1 per cent), Trent (2.9 per cent) and West Midlands (2.6 per cent).

The Thames regions in and around London, which have been the main losers under the set formula, will benefit from the way Mr Clarke has decided to allocate next year's funds.

He said the 2.5 per cent minimum which health authorities would receive next year was substantially higher than the figures they had been using for planning purposes. The increases would enable services to develop and grow, over and above the extra resources needed to care for the higher numbers of elderly people in the population.

"I now look to the health authorities to apply good management and efficiency to the use of this money so that their patients receive the fullest possible benefit from it."

The money which the Government is making available to health authorities includes savings of £237m from a reduction in the level of employers' superannuation contributions from 7.5 to 4 per cent.

Airport study stresses growth of traffic

By Michael Donne, Aerospace Correspondent

UK AIR TRAFFIC continues to grow strongly, according to BAA, formerly the British Airports Authority, which runs seven of the UK's airports.

During November the BAA's airports - which include Heathrow and Gatwick - handled over 4.6m passengers, or 10.5 per cent more than a year earlier.

Heathrow was the busiest airport, handling more than 2.89m passengers, or 11.1 per cent more than a year earlier. Gatwick handled more than 1.1m, a rise of 7.3 per cent.

Stansted in Essex continued to develop at the most rapid rate, largely because of congestion at the other London area airports, which encouraged airlines to move to it.

Stansted handled 56,200 passengers during November, or 46 per cent more than a year earlier. The figures for the full year since November 1987 show it handled more than 1m passengers, a rise of 44 per cent over the 12-month period.

A terminal is being built at Stansted to open in the 1990s.

Housing orders lead to rise in construction

By Joel Kibazo

ORDERS received by British construction companies in the three months to the end of October were 5 per cent higher than in the same period last year, according to government figures published yesterday.

The provisional figures from the Department of Environment also show that construction activity was 5 per cent up on the previous three months.

Most of the increase was due to new orders in the private housing sector, where new orders were 15 per cent higher than in the previous three months, and 13 per cent higher than a year earlier.

However, public housing orders in the latest three months were 14 per cent lower than in the previous three months, and 17 per cent down on the same period in 1987.

Private industrial orders were 7 per cent higher in the same period compared with the previous three months, and 24 per cent higher than in the corresponding period a year ago.

Private commercial orders were 5 per cent lower in the last three months compared with the previous three months, but 3 per cent up on the same period a year ago.

Canadian cable TV group plans Lancashire venture

By Raymond Snoddy

ANOTHER big North American cable television operator, the Toronto-based communications group Maclean Hunter, has decided to make a multi-million pound commitment to the UK cable industry.

The Canadian company will fund entirely the East Lancashire cable franchise covering 168,000 homes in the area.

Maclean Hunter, which has more than 1m cable subscribers on networks in Canada and the US, is putting up £10m in equity and guaranteeing £20m in loan finance to build the East Lancashire system. The rest of the cost of the network will be met from cash flow.

The Canadian company has set up Cable Systems Development, a company to apply for more franchises in the UK. If successful, the eventual financial commitments could be in excess of £100m.

Sir Peter Blaker, the former Conservative minister, will be chairman of Cable Systems Development.

Cable television is now a mature and highly profitable industry in North America and many cable operators there are increasingly looking at the UK market.

Earlier this month Jones Intercable of the US became the dominant shareholder in East London Telecommunications, the Docklands cable operator.

The interests of Maclean Hunter range from cable to publishing, printing and broadcasting.

ITN morning news deal

INDEPENDENT Television News is set to provide an hourly international news service with joint presenters live in different parts of the world for Channel 4's early morning service to be launched this spring.

The service, which is subject to final negotiations, will concentrate on information rather than chat. It will also have a business news section supplied by Business Television, maker of Channel 4's weekly Business Programme and the lunchtime Business Daily. Mentorn Films is the front-runner for the arts content and Roach and Partners for a daily consumer section.

The service will be financed by TV-am, the breakfast television company. In return TV-am will have the right to sell the airtime.

Planned Sunday paper extends funds deadline

By Raymond Snoddy

THE SUNDAY Correspondent, the new quality Sunday newspaper due to be launched next spring, yesterday extended its £16.5m subscription offer until December 29.

The company had set yesterday as the deadline for raising the money.

Mr Nick Shott, chief executive of the Sunday Newspaper Publishing Company, said the decision to extend had been taken because a number of major institutions had asked for more time.

Mr Shott conceded that the new paper did not yet have the formal commitments for the £16.5m but added: "There are clear indications that the money is there."

Mr Paul Brooks, managing director of Prudential Venture Managers, sponsors of the offer, said yesterday he was extremely encouraged by prospective investors convinced that there is an opportunity for a new Sunday paper.

"The offer is being extended to accommodate a number of other institutions who have expressed a strong interest in investing," Mr Brooks said.

The paper has already begun recruiting senior staff, including Mr Philip Bassett, former labour editor of the Financial Times, as home editor.

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UK NEWS

Investment advice group compulsorily wound up

By Raymond Hughes, Law Courts Correspondent

A SECURITIES and investment advice company accused of "preying on unsuspecting members of the public" was compulsorily wound up by the Court of Appeal yesterday.

The court allowed an appeal by the Department of Trade and Industry against the High Court's rejection in July last year of its petition to wind up Walter L. Jacob.

Lord Justice Nicholls said that winding-up was appropriate even though the company had ceased business just before the petition had been presented in April, 1987.

"It would offend ordinary notions of what is just and equitable that, by ceasing to trade on becoming aware that the net is closing around it, a company which has misconducted itself on the securities market can thereby enable itself to remain in being despite its previous history," the judge said.

Moreover, he added, "in addition to being a fitting outcome for the company itself, such a course has the further benefit of spelling out to others that the court will not hesitate to wind up companies whose standards of dealing with the investing public are unacceptable."

In the High Court, Mr Justice Harman had said that the DTI's petition, which did not allege that Walter L. Jacob was insolvent or had failed to pay its clients, did not justify the very serious act of winding up.

Lord Justice Nicholls said that the thrust of the DTI's evidence was that the company had been "preying on unsuspecting members of the public" persuading them to sell Trustee Savings Bank and British Gas shares and invest the proceeds in shares of two US companies of dubious value.

Its misleading recommendations had given the impression that it was giving professional investment advice, rather than being a vendor of shares disseminating sales literature; its connection with the US companies had not been disclosed; and investors had not been told that the recommended shares could not be traded freely.

Lord Justice Nicholls said that the public interest required that those who dealt in securities with the public should maintain at least the generally accepted minimum standards of commercial behaviour.

He had no doubt that the method by which Walter L. Jacob had persuaded investors to buy shares in the US companies had been unacceptable.

"The more unusual and speculative the investment, the heavier is the burden resting on a vendor of shares to ensure that the contents and get-up of his sales literature are not misleading."

The judge described special situation reports by Walter L. Jacob on the US companies as "seriously misleading". The recommendations to buy the shares had been surrounded with "an aura of independent advice", whereas they should have been seen and presented as "a salesman's eulogy of the product he was trying to sell".

That defect, the judge added, had not been cured by a statement in small type at the foot of the last page of the reports that Walter L. Jacob and its officers "may from time to time make purchases and sales of these shares".

Lord Justice Nicholls described Walter L. Jacob's conduct in settling with its clients on the basis that they either took significantly less than their full debt, or waited indefinitely before being paid anything, as "altogether unreasonable and, indeed, oppressive".

Scotland 'slow at creating jobs'

By James Buxton, Scottish Correspondent

THE SCOTTISH economy is failing to produce jobs as quickly as it should, according to the Fraser of Allander Institute, Scotland's economic analysis centre.

While net employment in the UK rose by 1.3 per cent in the year to June 1988, net employment in Scotland increased by 0.1 per cent.

The institute, in its quarterly bulletin, says that growth of output in Scotland continues to be strong.

Manufacturing, especially among makers of capital goods in the west of Scotland, is doing particularly well.

Construction is now the most buoyant sector in Scotland as the effect of the house price boom in the rest of Britain comes north, stimulating a 41 per cent increase in housing starts in the first nine months of this year.

Even so the industry still lags well behind construction in the UK as a whole and is beginning to suffer from shortages of skilled labour.

In other industrial sectors whisky is undergoing a revival with export volumes up for the fourth year running. Retailing and wholesaling are buoyant.

The institute points out, however, that in spite of the continuing fall in unemployment (now 10.8 per cent on a seasonally adjusted basis), employment may actually be falling, if allowance is made for part time jobs, while self-employment is growing only slowly.

The weak employment figures may be affected by lags in the job creation process, since employers report that employment has either risen or is expected to rise.

The institute fears, however, that employers may think the economic recovery in Scotland, which began later than in other parts of Britain, will be relatively short-lived, and so are meeting increased demand with more overtime.

The number of production jobs in Scotland fell by 3.2 per cent in the year to June 1988, as part of the long-term process whereby traditional low productivity manufacturing jobs are replaced by fewer high productivity jobs.

Service sector employment rose by only 1.2 per cent over the same period, although construction employment rose by 3.9 per cent.

Official statistics' unreliability attacked

By Simon Holberton, Economics Staff

THE STATE of Britain's official statistics was a matter of "grave concern", Mr Terence Higgins, chairman of the Commons Treasury and Civil Service Committee, said yesterday.

In the report of his committee on the Autumn Statement, the committee urges the Government to take swift action to improve the quality and reliability of official figures. "The Government should be prepared to dedicate more resources to improving them immediately," it says.

Mr Higgins said at a news conference that an increase in public spending on statistics would pay dividends in terms of economic management.

On the Committee's recommendation, the Government instituted an internal Treasury inquiry into official statistics which has been completed and is now circulating in Whitehall. A parallel inquiry was later set up by the Department of Trade and Industry.

The poor state of official figures was underlined on Monday when the Central Statistical Office was forced to publish a compromise estimate of gross domestic product growth in the third quarter of 1988.

It had to do this because, on its own admission, figures for gross national expenditure in the UK were unreliable.

The Treasury Committee said that there were some understandable reasons for the deterioration in the quality of the official figures. It said there had been a rise in the significance of smaller companies in the economy, while the abolition of exchange controls had made determining invisible exports more difficult.

None the less, the committee believed strongly that there was a need for a drastic improvement. "We hope that Sir Terence Burns' assertion about the recent official inquiry into the quality of official statistics that 'I do not expect to see any sudden and dramatic improvement in the statistics' is incorrect," the Committee said.

Exorcising the ghost of De Lorean

Our Belfast Correspondent on hopes for 1,000 car component jobs

EXECUTIVES of Northern Ireland's main economic development agencies are hoping that the decision announced yesterday by Montupet, the French car components maker, to establish a base in West Belfast will mark the start of a new era of industrial investment. The region is acknowledged as one of the most socially deprived in western Europe.

De Lorean closed in 1982: now Montupet is bringing fresh hope

The 1,000 jobs promised by the French car components company will not solve all the problems of a community where unemployment on some of the large housing estates is running at more than 80 per cent.

Given past experiences, no one is getting carried away with the notion that international companies will now be queuing up to take advantage of the wide range of grants available for new inward investment projects in the province.

Yet the Government's ability to secure this project for West Belfast in the face of fierce competition from a number of other European countries will impress the international business community.

Industrial development officials were undoubtedly involved in delicate discussions with Montupet at a time when the IRA was escalating its campaign of violence throughout the province.

Outrages such as the Lisburn bombing in which six British soldiers died in June and the Ballygawley bus bomb which claimed another eight lives in August hardly attract the sort of worldwide media attention which assist efforts to promote Northern Ireland as an attractive business location.

Even Mr Tom King, Northern Ireland Secretary, admitted yesterday the effect of terrorism in discouraging potential investors from including Northern Ireland in their list of possible locations.

Montupet, however, concentrated on the factors in the province's favour – its excellent industrial relations record, availability of a top-quality workforce and its sophisticated transport network.

Most important, Industrial Development Board officials were able to offer the French a suitable factory site which can be quickly adapted for the company's production processes.

The supreme irony is that Montupet is taking over the Dunmurray site formerly occupied by De Lorean, the American sports car company which failed, owing British taxpayers a fortune.

The Government is still attempting to unweave the tangled financial web behind the De Lorean project in an attempt to retrieve the outstanding taxpayers' investment, estimated at more than £50m.

Given the De Lorean débâcle and the decision by several multinational companies to pull out of Northern Ireland over the last 10 years, it is hardly surprising that local people are cautious in their attitude to new investment.

While people emerging from the unemployment exchanges of West Belfast yesterday warmly welcomed the Montupet announcement, memories of the De Lorean disaster were still fresh.

Yet the Montupet investment, following on from the Government's recent announcement of an extra £55m over the next three years for disadvantaged areas of Belfast, tends to lend support to the Government's contention that it is making strenuous efforts to arrest the social decline in the west of the city.

The social and economic problems of West Belfast have been the subject of ministerial discussions and also topped the agenda at a meeting of the Anglo-Irish inter-governmental conference.

A new central government unit, headed by senior civil servants, is co-ordinating a development strategy.

And special government action teams, concentrating on specific areas, have supported 150 community initiatives in West Belfast.

Montupet made a lot of friends yesterday when it emphasised that one of its main reasons for coming to Northern Ireland was the quality of the workforce.

One of Montupet's next tasks will involve it in having to sift through thousands of applications for jobs from a community which has a lot more to smile about this Christmas.

CEGB expects to build another PWR at Sizewell

By David Green

SIZEWELL is likely to be chosen by the Central Electricity Generating Board as the proposed site for Britain's fourth pressurised water reactor.

Britain's first PWR is under construction at Sizewell, Suffolk, and plans have already been announced for two other nuclear power stations of the same type, at Hinkley Point in Somerset, and Wylfa on Anglesey.

Mr Brian George, the CEGB's PWR director, told the Hinkley Point C public inquiry yesterday that the proposed fourth reactor was almost certainly going to be Sizewell C.

He said under cross-examination by Mr Stewart Boyle, for the Friends of the Earth environment group, that he had earmarked project managers for Wylfa and Sizewell C.

It was expected that work on Sizewell C would begin between three and four years after the start of Sizewell B, which started in March 1987.

The CEGB believes the four PWRs will be needed by the year 2000 to help meet demand.

Caution urged on easing of credit licensing rules

By David Barchard

PEOPLE most in need of protection from loan sharks could be placed at risk by government proposals to ease credit licensing requirements, the National Consumer Council warned yesterday.

The warning was contained in the NCC's formal reply to the Review of Consumer Credit Licensing currently being prepared by the Department of Trade and Industry.

The DTI is proposing to give greater powers to the Director-General of Fair Trading to police consumer credit business, while cutting back on the need for firms to apply in advance for a licence to grant credit.

The NCC says that initial screening of licence applications under a system of universal credit screening is needed to ensure a minimum standard of fitness for traders.

It says it is particularly worried about proposals to remove credit brokers from licensing because more than a third of the licences currently revoked by the OFT for bad practice belong to brokers.

MANAGEMENT: Marketing and Advertising

A & P puts own label back on the shelf

Philip Rawstorne on a US retailer that sought UK help to reverse its strategy

In the eight years since he took over as chairman and chief executive of the US food retailer, Great Atlantic and Pacific Tea Company (A & P), James Wood, a one-time Co-op shelf-filler in the UK in Newcastle-upon-Tyne, has turned a $43m loss into a $103m profit.

Wood achieved the turnround by cutting 20,000 jobs, closing a third of A & P's 1,500 stores in cities such as Chicago, Pittsburgh and Kansas City, renegotiating union agreements, and concentrating operations on the Eastern seaboard.

He also closed most of A & P's manufacturing business which had produced more than 500 own-label products. "There was far too much emphasis on private labels which were becoming less and less important," he said. "In short, A & P was not selling what the customer wanted."

A & P slashed its dependence on own-label from a peak of 35 per cent to 18 per cent of sales. "We became," says Wood, "a national brand retailer."

Own-label products, in fact, account for no more than 25 per cent of the sales of most US retailers – compared with UK retailers such as J Sainsbury with 55 per cent, and Tesco with 50 per cent.

Private label has always been seen as an alternative economy purchase, selling for 10-15 per cent less than national brands. "The quality of private label, generally, in the United States has never been very high," says A & P's senior vice-president, Peter O'Gorman, "and the US market is very brand-conscious."

But now A & P is reversing the strategy that has helped it regain a prominent position in US retailing with nine supermarket chains and nearly 1,200 new and refurbished stores.

Having spent $345m in the past three years on opening new supermarkets and restyling others – from the pastel shades and muted muzak of the upmarket Food Emporium format to the smart but economy-conscious self-service Sav-A-Center – A & P is introducing a premium own-label range to match its new image, and improve its profit margins.

A & P, says O'Gorman, believes there is an opening between the mass-market national brands and gourmet products that can be profitably filled with own-label.

"We decided to try to develop a range of products whose quality was noticeably better than the relevant brand, that was immaculately packaged, but which would be priced at about the same level," says O'Gorman.

The idea owes a lot to the success of British retailers in developing own-label products. And to implement it, A & P chose a British design consultancy, Coley Porter Bell (CPB), which had worked on own-label products for Marks & Spencer, Tesco, Safeway and Asda. "A great deal of innovation in own-label development and package design has taken place in the UK in recent years," says O'Gorman. "Retailers such as Sainsbury and Tesco have created identities based not only on the style of their stores, but on the products they sell."

CPB redesigned the packaging of A & P's existing range of own-label products – but the margins on these 1,500-1,600 economy lines remain small and they are not sold in all of A & P's supermarket chains.

What was wanted was a new label – one that would sell across A & P's nine retailing chains from supermarkets in Canada to the US Mid-West, and create a unifying identity that would help differentiate them from competitors.

The search for a new brand name was exhaustive. "We sought suggestions from computers and advertising agencies, from secretaries and people in the street," says CPB's head of design, Colin Porter. By way of First Choice and Top Of The Line, they finally came up with Master Choice.

Finding the products to match the pedigree suggested by the name has involved A & P in a continuing worldwide search for manufacturers. "We'll go anywhere to get the right quality," says O'Gorman. "That is the first consideration. Only when we have found that do we discuss the price. If it is going to be too high, too far out of line with the national brand which the product is going to compete against, then we would not stock it."

Some of the first Master Choice products to be introduced are being manufactured in England. Cartwright & Butler of Norfolk is making a range of preserves which sell at around $2.29, marginally higher than US national brands but below the $4-$6 for imported "gourmet" preserves.

Thornton's of London is supplying A & P with a range of chocolates. "Supermarkets in the US do not sell premium chocolates," says O'Gorman. "We priced ours at $4.99 – a high price – and sold all we had in three weeks."

The Master Choice range, which already includes such diverse items as teas – again supplied from the UK – pasta, and tinned tomatoes, will be extended to some 100 products next year and eventually to around 500. It is expected to raise A & P's own-label sales in line with the industry average to around 25 per cent of its $10bn annual turnover.

"And that's as far as we want to go," says O'Gorman. "Beyond that, we would have to leave too many national brands off our shelves."

Master Choice, itself, may yet go further, however. The West German retailing group, Tengelmann, which holds a 52.5 per cent stake in A & P, has taken an interest in the project. It sees Master Choice as a potential pan-European brand, one that translates easily into every European language, and that is capable of creating an identity strong enough to cross national frontiers as well as state lines.

A & P has resurrected the idea of own label – only this time with a range that has a premium flavour

Advertising grows in Far East

THE RAPID growth of advertising in China is highlighted in a report just circulated by UK stockbroker, James Capel.

The report, entitled The Global Advertising Marketplace, estimates that the advertising market in China grew by 46 per cent in real terms between 1980-87 to $314m. It forecasts 34 per cent growth this year to $424m, followed by a further 37 per cent increase next year to $582m.

"On the back of continued buoyancy in the economy, the spread of television ownership in rural areas is enormous," the report says. "It is estimated that there were 67m TV sets in China by the end of 1985 compared with 1m in 1978. There are currently 81.2m TV households, representing 32.6 per cent of the population."

But if China has the greatest potential in the Asia/Pacific market, Japan still dominates the area, accounting in 1987 for $21.9bn of the region's estimated total advertising expenditure of $29bn.

Forecasting a total advertising spend of $36.6bn this year, and $39.6bn in 1989, for the Asia/Pacific region, the report estimates that advertising expenditure in Japan increased at the relatively modest rate of 5.6 per cent a year from 1980-87 but is expected to grow by 12.7 per cent this year.

Expansion within the economy has opened the way for a wider range of advertisers to compete for the increased consumer spending.

The demand for greater advertising time is leading to a surge in media costs and a lack of print advertising space. Television spots were being sold at a 9-15 per cent premium in the summer, and the price of prime-time radio spots was 25 per cent higher than it was last year.

Dentsu and Hakuhodo dominated the Japanese agencies, with around 42 per cent of total billings.

Australian advertising expenditure is expected to increase by 8.2 per cent this year to $3.2bn, rising by a further 10.6 per cent next year to $3.55bn. One feature of the Australian market has been the significant increase in video cassette recorders.

Philip Rawstorne

Detergent market in Spain

Forever blowing bubbles

Peter Bruce reports on Camp's revival strategy

The three most famous faces in Spain all belong to men – King Juan Carlos, Prime Minister Felipe Gonzalez and Manuel de Luque. Manuel who?

The compact, unassuming, 41-year-old Canary islander is living proof that the Spanish are not going to be easily pushed around by smooth foreigners when the country totally opens its markets to the rest of the European Community in 1992.

Three years ago S.A. Camp, a struggling, family-owned, detergent manufacturer in Barcelona, hired de Luque as its chief executive in a desperate bid to cut its losses and to stay in a market under strong attack from multinationals like Procter & Gamble, Henkel and Unilever. The results have been remarkable and Camp must be one of the few, if not the only, large detergent producer still in family hands in the industrialised world.

De Luque quickly began a television advertising campaign featuring himself in early 1986 and has stuck to it ever since. As a result, Camp's range of washing powders hold a commanding 25 per cent of the market and its leading brand, Colon, regularly vies with Procter & Gamble's Ariel in the Nielsen ratings as the country's biggest seller.

Camp has been in business since 1934; Colon had practically the entire market to itself for a few years after it was developed in 1963. But as the Spanish economy began to open up, the multinationals poured in and, using sophisticated marketing, including high prices which established their products as luxury brands, began to eat away at Camp's market share.

Camp was holding its own with slightly cheaper products but then in the late 1970s generic brands also began to attack Colon from the bottom.

The family thought it had found a way out in the early 1980s when, after a strike in Italy, an Italian group asked Camp to manufacture its washing powders and export them to Italy. Having "discovered" exporting, the Camp family began selling to Nigeria, West Germany, Algeria and Italy.

It all came to grief. The Nigerians had no money, Spain and Algeria fell out over gas contracts, the Italian contact went out of business and a suggestion that Spanish washing powders contained higher than normal amounts of cadmium put paid to West Germany.

"The company ran out of money," says de Luque.

By 1983 de Luque, who started working life wanting to lecture in organic chemistry, had completed a doctorate in chemistry at Tenerife University, done postdoctoral work under the Nobel Prize winner, Sir Derek Barton, and at Imperial College in London.

"I followed Barton's advice," says de Luque, "which was that if I wanted to become a good teacher I had to spend two or three years in industry. I must confess I would still really like to teach." So he worked in research for Procter & Gamble in the UK, West Germany and Spain.

Confidence

The Camp family hired him soon after he had set up as an independent consultant in Spain. In early 1985 he took over the industrial division and became chief executive of the whole group in September.

About the time he took the helm at Camp he read Lee Iacocca's account of the Chrysler rescue. "I was impressed," he confesses. "Our situation was similar to Chrysler. My initial strategy was first to regain the confidence of the people in the company, then our bankers, then our distributors and then our customers."

The Spanish economy was beginning to take off, however, and de Luque had little time to experiment: Domestic consumption of washing machine detergent in Spain, at 416,000 tonnes in 1987, was double the 1977 figure and no one who has witnessed the wide-eyed frenzy in which modern Spaniards shop could fail to appreciate the value of having a product on a supermarket shelf. But supermarkets like to keep the number of products low. "We were looking for a way to get people's attention very quickly," he remembers.

The upshot was a rather nervous decision that de Luque himself should appear in a TV advertisement. The first spots, in January 1986, involved him walking on to a bland, inexpensive, set, patting a packet of Colon on the lid and earnestly telling viewers that they should shop around, compare washing powders, and if they found a better one than Colon, buy it.

De Luque's initial stiffness, the rather amateurish set and the almost complete absence of glitter were instantly successful. Since then he has run 26 different spots, pushing different Camp products. A serious young man off the screen as well, he was even acclaimed by a Barcelona feminist group for running probably Europe's first ever non-sexist detergent campaign.

Camp turnover, which had dipped to Pta 22bn (£106m) in both 1984 and 1985, quickly began to rise, reaching Pta 26bn in 1986, Pta 29bn last year and will touch Pta 31bn this year. The company, which made a net loss of Pta 1.1bn in 1985, is back in profit and has just issued its first commercial paper – Pta 6bn worth through Chase Manhattan.

De Luque says of the ad spots: "It was a difficult decision because no-one had done it before in Spain. But the results were spectacular."

Appearing before the cameras has become second nature now and he says he can record a new spot in under an hour. He shrugs off the attendant fame. "You need to keep a balance between popularity and what is good for the company. If you don't you can make mistakes."

Since its recovery, Camp has taken tentative steps outside Spain – into Portugal and France and, more successfully, into Israel where Colon now holds 20 per cent of the automatic detergent market. But it is unlikely to try too hard in the European Community even after 1992, preferring to concentrate on defending its Spanish positions.

De Luque believes Camp has probably reached the limits of its market share in Spain. The trick now is to stay there; but the market leaders, particularly the multinationals, play hard with prices.

Colon is at present second to Ariel in the Nielsen ratings but that could easily change. "It is simple today to buy two points in Nielsen," says de Luque, "but we can't go higher than 25 per cent in a mature market. Every Nielsen point costs a fortune."

ACCOUNTANCY COLUMN

The missing word that has no one guessing

By Richard Waters

THERE IS one word that has not figured in the debate this autumn over the future of Arthur Andersen.

The word has not been on Andersen's senior partners' lips when discussing the significant structural and management changes which they are proposing to make.

Neither will it appear on the voting forms when the firm's partners around the world pass their verdict on those proposed changes in two weeks.

However, the word will have to be uttered one day, and when it is, the tensions between accountants and consultants in the world's second largest accountancy and consultancy group are likely to return with a vengeance.

That word is: capital.

"Capital" has many meanings, of course, and some of these meanings present Andersen with few problems.

The firm has been able to finance a rate of growth in recent years that would have had many public companies gasping for new equity. Its need for increased working capital has been met in part by its success in tapping the US commercial paper markets – it was the first accountancy firm to do this.

However, Andersen may not be able to meet all future financing needs. It has chosen to specialise in computer services, the biggest and fastest growing part of the management consultancy business. Spotting the potential in information systems two decades ago gave Andersen its big break: it is now the world's largest management consultancy firm as a result.

The computer services market is changing in important ways. A process of consolidation is under way. At the moment, no one claims more than 5 per cent of the market. But a number of companies, from IBM at one extreme to Saatchi & Saatchi at the other, plan to change that.

Andersen lacks one vital weapon: the power to acquire other businesses

In the fight for market share that is likely to develop, Andersen lacks one vital weapon: the power to acquire other businesses. As with other accountancy firms it is a partnership and so cannot issue equity to finance an acquisition (although, in the current climate, few corporations can either).

Equally importantly, it cannot offer potential recruits the chance of cashing in on the capital growth of the business. Accountancy firms do not recognise their goodwill. This means that if as a partner you are asked to commit, say, £100,000 of capital to the business, when you retire you will receive back only £100,000.

Ambitious managers with a view to capitalising on their efforts may not be attracted by this. Andersen has this year lost its top US consultant, together with a handful of senior colleagues, to Saatchi & Saatchi, where they will make a handsome capital sum if their future profit expectations are met. Capitalising on their value in the market was only one element in their decision to go, but an important one.

Andersen accepts that its consultancy side (renamed Andersen Consulting) may need outside capital in the future. This could be accommodated easily within its proposed structure, which involves an almost total management split between the accountancy and consultancy parts of the business, it says.

However, selling a stake in the consultancy business would raise the question that Andersen prefers not to ask: how do you put a value on just one part of the business? And, once you have done this, how do you divide the equity in that part of the group?

Who should benefit from any future attempt to put a value on the consultancy business – the accountants who had the foresight to develop it and have invested in it over the years, or the consultants who currently manage it?

That this question is being ducked is clear from Andersen's proposed restructuring. Consultants will share less of their profits with the accountants, and will have more control over their part of the business. But investment decisions will still be made by the executive committee of the whole group, and it will be the group as a whole which invests in any fresh initiatives.

Those investments will not be made on the basis of a required return on capital: the firm has simply not put a value on the capital tied up in the different parts of its business.

The use of an (unnamed) investment bank this autumn to advise on the firm's restructuring suggests that Andersen has considered these issues. Shelving them now makes it likely that its present restructuring will not be the last word on the matter.

* * *

THE LAST month has witnessed what on the face of it look like reversals for another of the world's leading accountancy firms. Price Waterhouse has failed to cement relationships with national firms in two key European countries.

Its five-year courtship of West Germany's second largest accountancy firm, Treuarbeit, is set to end in disappointment. Treuarbeit has agreed to link with Treuhand-Vereinigung, the Coopers & Lybrand affiliate in the country.

Final details of the link have not been agreed but the fact that the two German firms have formally announced their plan makes it likely the deal will go through. PW will be the international group frozen out by the arrangement.

Another blow came with news at the end of last week that Dijker en Doornbos, one of the leading Dutch firms, has agreed to merge with Van Dien, which is linked to international group Deloitte Haskins & Sells.

A year ago Dijker entered negotiations with PW, announcing at the same time its intention to leave a third international group, BDO. The foundering of the Dijker/PW talks again leaves PW out in the cold.

These developments are significant given the need for strong international networks in the run-up to Europe's internal market. Unlike the UK, accountants are thin on the ground on the continent, leaving the eight big international groups jostling for the privilege of being represented by the scarce large national practices. Losing the prizes of Treuarbeit and Dijker to the competition appears to leave PW floundering.

There is another way of looking at it, though. PW has one of the best-known names in the accountancy business and the largest number of multinational corporations among its clients. This large rump of international business has led it this year to take the decision to develop a single worldwide style and culture, making it a cohesive, corporate-style firm.

Unlike the UK, accountants are thin on the ground on the continent

This is unlikely to appeal to national firms in Europe, many of which are eager to retain their individual styles. Treuarbeit, for instance, has been assured of operational independence within the Coopers camp.

The emergence of two distinct styles of accountancy firm – the corporate and the collegiate – reflects two different views of what clients will want in the future. PW, by hitching its fortunes to the corporate approach, is betting on the long-term advantage of becoming a worldwide unit.

Losing Dijker and Treuarbeit may come to be seen as the necessary short-term cost of pursuing this goal.

ACCOUNTANCY APPOINTMENTS

COMPANY NOTICES

PUBLIC NOTICES

COMPETITION ACT INQUIRY BY
THE MONOPOLIES AND MERGERS COMMISSION
UNICHEM LIMITED

The Monopolies and Mergers Commission is investigating the share allocation scheme operated by UniChem Limited.

Any person or organisation wishing to give information or views, particularly on the effects of the scheme on the wholesale supply of pharmaceuticals, should write not later than 20 January 1989 to:

The Reference Secretary (UniChem Inquiry)
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT

LEGAL NOTICES

THOMAS CHRISTY LIMITED

We, John Martin Iredale and Nigel John Vooght of Cork Gully, Phoenix House, Station Hill, Reading, Berkshire RG1 1UN, were appointed joint administrative receivers of: THOMAS CHRISTY LIMITED

Trading Address: Christy Estate, North Lane, Aldershot, Hants

Registered number: 288127

by Barclays Bank Plc on 9 December 1988

N J Vooght Date 13 December 1988
Joint Administrative Receiver

COMPANY ANNOUNCEMENTS

A tool that finds errors in Ada code

By Clive Cookson

THE COMPUTER programming language Ada – created for the US Department of Defence in the 1970s – has become the standard for defence systems in all Nato countries. It is also increasingly being specified for large non-military computer projects.

Ada was developed as a highly structured language to eliminate many of the programming errors which plagued the development of large systems. But it is so elaborate that programmers have found it difficult to check that their computer code obeys all the Ada rules.

Now Cristie Electronics, a small UK company, has developed a software tool which helps not only to construct Ada programs, but also to find any errors and correct them before the programs are translated by a "compiler" into detailed instructions for a particular computer.

The company says that its new product, called Iada, is the only "pre-compiler" which edits programs and automatically finds mistakes in both the syntax and the semantics of the code. In other words it makes sure that the words and symbols in the programs are written in exactly the right form and in the order required by Ada. It is much faster and cheaper to correct errors in this way than to run the program through a compiler.

Ada programs are usually written on mainframe computers or VAX or Sun workstations, but Iada will run on personal computers or even lap-tops. It can be used to edit and check parts of a program without taking up time on the main computer.

Banqueting program

NIXDORF, the West German computer manufacturer, has launched a comprehensive software package called Banquet.

Aimed at conference and banquet organisers, the programs allow for the control and administration of reservation inquiries, bookings and forecasting. Banquet runs on standard Nixdorf model 8860 data processing systems and can be tailored to the needs of individual users.

Towards the tailor-made antidote

Peter Marsh reports on a new approach to drug research which is targeted at tiny sites in the body

DRUG industry researchers, in the quest for new ways to fight disease, are examining chemical reactions at tiny sites in the body which can influence the progress of illnesses.

These sites, called receptors, are thought particularly to play a role in regulating the factors that cause mental disorders. Increased knowledge of receptors may lead to new and powerful drugs for such conditions. Sales of these drugs are worth about $10bn (£5.6bn) a year and are growing at 7 per cent annually.

Receptors are microscopic crevices within the complex chains of proteins that thread through the body. Advances in this field of research are underlined by a report in today's edition of Nature, a UK scientific journal.

In the report, researchers at Oregon Health Sciences University in the US describe how they have made copies of a receptor which has a key role in schizophrenia, an often catastrophic illness which is thought to affect 1 per cent of the world's population.

The work may make it possible to design drugs which block or otherwise influence chemical reactions at sites in the brain and nervous system, so combating schizophrenia and possibly other mental illnesses such as Parkinson's Disease and depression.

Receptor theory is based on understanding how certain chemicals – carried by the blood stream or along nerves – "dock" at the receptors to influence a range of biological mechanisms.

While researchers have known about receptors since the 1950s, until recently there was little information about the exact shapes and characteristics of these biological sites, of which a few dozen have so far been identified.

Many of the world's biggest drugs companies, including Merck of the US, Britain's Glaxo, and Sandoz of Switzerland, are working on receptor mechanisms linked to brain disorders.

Many of the drugs now prescribed for mental problems are far from satisfactory. Products such as tranquillisers (which relieve anxiety) and other medicines aimed at depression can cause unpleasant side effects and lead to problems of dependency.

Scientists believe that the receptor studies could open the way for drugs which are tailored to attack specific conditions.

At Oregon, the work is being supported by Cambridge NeuroScience Research, a Massachusetts-based healthcare company, one of several enterprises formed in the US to exploit work in brain-related research. It has a licence with the Oregon researchers to commercialise ideas related to their receptor work.

Alfred Server, research director of Cambridge NeuroScience, says that the Oregon work is "of considerable importance" in efforts to combat schizophrenia. By making copies of the receptor, researchers should be able to test chemicals that might influence the receptor site. This could ultimately lead to new drugs for the disease.

The D2 receptor, the subject of the work at Oregon, is found in the cellular structure of the brain and throughout the nervous system. It is thought to be a target for a chemical called dopamine, one of a class of naturally occuring molecules called neurotransmitters, which act as agents for a range of physiological changes.

Dopamine, which is transmitted along nerves as a result of stimuli, such as electrical impulses, is believed to influence several mental conditions. It appears to travel between adjacent nerve cells by a series of jumps, each of them involving a pairing with a receptor.

The Oregon scientists have cloned, using techniques of genetic engineering, the D2 receptor found in rats. This is thought to be similar to the equivalent site in the human brain.

If viewed through an extremely powerful microscope, the D2 receptor would look like a three-dimensional chain of protein. It is wound round a small gap, through which molecules like neurotransmitters can penetrate.

The docking of a molecule at this site can trigger various biological activities. Scientists think schizophrenia is caused at least partly by the body either overproducing dopamine or the dopamine-receptor system being over-stimulated in some other way.

A rigid chemical classification of the D2 site – in which workers find out the arrangement of molecules in the receptor and its layout in space – is now likely following the US discovery. This could make it easier to design anti-schizophrenia formulations which block dopamine receptors.

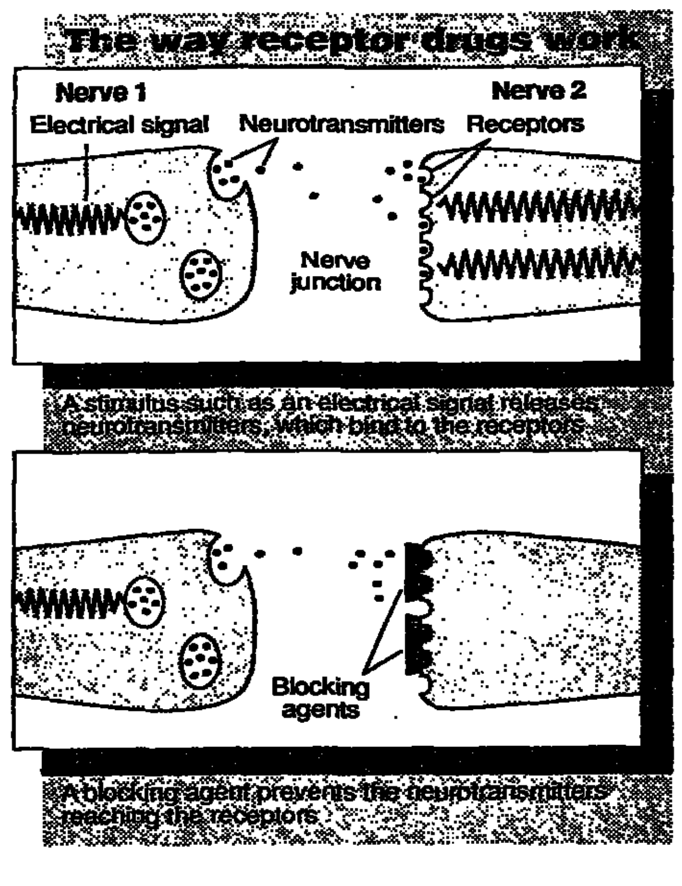
Parkinson's Disease, on the other hand, is thought to be triggered by insufficient dopamine in the nervous system. A possible antidote would therefore be to stimulate more efficient targeting of dopamine molecules at receptor sites. That could permit the body to compensate for any shortfall in the neurotransmitter.

According to Jonathan de Pass, a drug industry analyst at Robert Fleming Securities, a London stockbroker, work in receptors may help to change the way the pharmaceutical business devises new products.

Rather than try out a variety of molecules to see if they impede illness – the traditional way healthcare products have been invented – researchers may be able to start with a detailed knowledge of receptor sites and work backwards until they have found a new method to block or enhance action at these places. "Drug design may become less of a hit-and-miss affair," says de Pass.

Receptor theory could also have an impact on brain research involving the action of a chemical transmitter called serotonin. According to a recent report*, serotonin could influence a range of mental conditions including depression, migraine, schizophrenia and anxiety. Glaxo, Bristol-Myers, Beecham and Janssen are among the companies with development programmes in this area.

* *Scrip's Serotonin Report, PJB Publications, 18-20 Hill Rise, Richmond, Surrey TW10 6UA; £95.*



Pushing the human limits at the bottom of the sea

By Michael Swiss

THE FUTURE of offshore hydrocarbon production and of laying and maintaining intercontinental pipelines is bound up with divers being able to work at ever greater depths.

On France's Mediterranean coast, various companies are running projects to facilitate such deep-sea activity. A leading role is being played by the Comex Co, of Marseilles, which specialises in underwater services and engineering.

Comex has been developing, through the Hydra-8 experiment, a mixture of gases that will allow divers to work effectively at depths of 500 m and below.

The company first put several divers through laboratory-based exercises, simulating the conditions they would experience while diving to 520 m. Their behaviour and body reactions were monitored by a medical team. Then a real dive from the D S V Orelia took place at sea, after which they were safely decompressed.

The essential problem is to provide the diver on the seabed with an atmosphere he can breathe with ease and work in with alertness. The diver's body must be saturated with the required "replacement" atmosphere, a process which must be reversed when the diver re-emerges. This takes several days.

Comex's breathing mixture is called Hydreliox. It has been developed together with the procedure for its use over several years. Earlier this year, successful long dives in the Mediterranean proved that it was effective and safe.

Compressed air (70 per cent nitrogen, 25 per cent oxygen, 5 per cent other gases) is not suitable since at pressure equal to that of a column of water, say 300 m high, several disadvantages appear.

For example, the nitrogen has a sedating and mind-disturbing effect; and although the gas counteracts the motor disorders caused by breathing a highly compressed mixture, the counteraction is too strong. In addition compressed air at the pressure required is too dense to breathe.

Oxyhelium, which the French refer to as Heliox, contains helium as a dilutant replacing nitrogen. The amount of oxygen can also be reduced to control its intoxicating effect.

But beyond 300 m even this mixture has been found to be too dense. There was a need for a lighter gas and so the effects of hydrogen had to be evaluated. Although hydrogen is a narcotic at high pressure, it is far less so than nitrogen and just about balances the motor disorders.

Comex decided to carry out the development first with a mixture of hydrogen 97.5 per cent/oxygen 2.5 per cent. This proved adequate down to 90 m. Down to 300 m, divers were asked to work in the same mixture and, for comparison, in a helium/oxygen/hydrogen mix.

This enabled the narcotic effects of hydrogen to be evaluated and its proportion was reduced to a minimum, where it just balanced the nervous syndrome caused by any high pressure breathing mix.

The inclusion of hydrogen had the advantage that divers operating at increasing depths reported increased comfort; they breathed through their noses rather than open-mouthed.

Additional steps required to control the breathing atmosphere included the continuous removal of carbon dioxide, and maintenance of the required level of oxygen and of the correct thermal and moisture conditions.

But there remained a complication caused by the difference in solubility between hydrogen and helium in organic materials. This could have led to these two gases being removed at different rates on decompression, which could have caused the affliction known as the "bends".

It was therefore decided to split the decompression procedure into two: for pressures equivalent to 200 m and below, the proportion of gases in the atmosphere would be maintained at hydrogen 54 per cent, helium 45 per cent and oxygen 1 per cent.

Between 200 m and the surface, the mixture of gases would start with helium 98 per cent, oxygen 2 per cent. In other respects decompression would be much as when oxyhelium is used.

A SUCCESSFUL demonstration of diving to 450 m – more than twice the depth of routine North Sea operations – was given in the £1m Igloo 88 operation completed in the UK this month, *writes David Fishlock.*

The name Igloo reflects the emphasis placed on survival in extreme cold at great depths, in circumstances where a diving bell or subsea welding habitat loses power and heat.

The dive took place at the National Hyperbaric Centre, Aberdeen, in a hydrostatic test chamber designed to simulate subsea conditions at depths up to 1,000 m.

A saturation diving system was coupled to this chamber for the support of two teams, demonstrating two different "wardrobes" of diving equipment, assembled by Stena Offshore, of the UK, and McDermott International, of the US.

The demonstration monitored the performance of both divers and equipment. The task they were given was to unflange and flange up again a pipeline at 450 m depth. This sort of work has begun to crop up in the North Sea, where the Norwegian oil pipeline descends to depths of 400 m.

After the 31-day dive, no surprises were reported. But the equipment fell short of the target for keeping the cold at bay.

High-pressure nervous syndrome, a condition which lowers the concentration of the diver until he acclimatises to the depth, was noticeable. It led to divers losing as much as a day before they were ready to work.

Another physiological effect, observed during a dive to 300 m at the centre last spring, is the extra burden placed on the diver simply in breathing under conditions where his windpipe is narrowing with increasing depth.

The dive did demonstrate, however, that at 450 m divers still had the capacity for useful work.

Igloo 88 covered trials and research involving 14 life support equipment makers (including Comex) and nine academic institutions, working with the two diving contractors.

Further demonstrations are planned for 1989: to 300 m in March and to 450 m next November.

A master of many shades

Denys Sutton on a Degas exhibition which prompts second thoughts about the career development of a genius

One advantage of holding major art exhibitions in more than one place is the opportunity provided not only for seeing a show in different surroundings, but of coming across works, generally drawings and pastels, that are not allowed to travel. This is the case with the great Degas exhibition which, after being shown in Paris and Ottawa, is concluding its run at The Metropolitan Museum of Art, New York.

The word "run" is used advisedly, for it suggests that the presentation of an exhibition, like that of a play, can have its specific character. The Degas exhibition in Paris contained wonderful pictures but, through no fault of the organisers, it was held at the Grand Palais, a by no means congenial setting for an artist as intimate and refined as Degas. On the other hand, the galleries at the Metropolitan Museum are commodious and pleasing and, owing to new lighting techniques, it is possible to hang drawings alongside paintings.

The result is that it is now possible to examine the connections between studies and a finished painting. Moreover, the layout of the rooms permits the visitor to follow Degas's development over the years. This exhilarating experience provides fresh insights into this master's creative processes.

Edgar Degas (1834-1917) matured rapidly. His early paintings and drawings of his family, his grandfather Hilaire, his father and his brothers and sisters, while revealing a debt to Ingres, an artist he deeply admired, and possibly to Boilly, possess an original touch. They stress that from the outset Degas respected tradition; for him innovation was based on a love of the past.

As a young man he was familiar with the treasures of the Louvre and his time in Italy, mainly in Florence, Naples and Rome, gave him a grounding in Italian art that is seen in his copies after the Old Masters. However, one of the most telling, the copy of Mantegna's *Crucifixion*, is after the picture in the Louvre. It must be emphasised that Degas was a visually experienced man, with a knowledge not only of Western painting but of Greek, Roman and even Assyrian art. This is made evident in his notebooks, which have been skilfully edited by Theodore Reff and which are worthy of study.

Like many of his contemporaries, Degas was tempted by history painting, but though producing several intriguing compositions of this sort, he quickly realised that this was not his line. One of the most famous of such works is *Semiramis Building Babylon*, c.1860-62, which can be seen better in New York than in Paris: the clear lighting permits the delicate landscape, with its affinities with Corot, to be appreciated. The picture owes a general debt to John Martin, the English romantic artist whose work was much appreciated in France.

Degas's justified popularity as a painter of ballet scenes had led to an underestimation of his contribution as a portrait painter. This aspect of his art is made clear in the New York show both in his self-portraits, in which nonchalance, elegance and a degree of introspection are suggested, and in his portraits of such friends as J.J. Tissot and Evariste de Valernes.

The Singer in Green, by Degas, c.1884, pastel

That he was an ambitious young painter is attested to by the celebrated *Bellelli Family* from the Musée d'Orsay, recently admirably cleaned by Sarah Walden. This picture, which dates from 1858-67, was possibly included in the Salon of 1867 and has aroused much discussion. As it is known that Laure Bellelli (the artist's aunt) complained about her marriage, it has been assumed that the picture represents a "family drama." However, I find it hard to believe that someone as discreet and proud as Degas would have wished to portray family problems.

Degas's self-portraits are a reminder that he was a man of the world, who came of age during the Second Empire and found his favoured subjects in the ballet, the race course and even, in later years, the millinery. He was a *flâneur* who delighted in travelling by omnibus so that he could observe the Parisian scene. He took it as a matter of course

'His early paintings stress that from the outset Degas respected tradition; for him innovation was based on a love of the past'

that laundresses were attractive subjects; there is no need to see in this any reflection of his political views. He shared the tastes of the realists, when writers such as Edmond and Jules de Goncourt, men of the Right, responded to low life. In Degas's case the painterly appeal for starched white shirts, of women ironing and of juxtaposed tonalities is obvious. That he saw his "modern" themes with an artist's eye is confirmed when his works are compared with those of his contemporaries, Tissot and Alfred Stevens.

The opportunity in New York of studying Degas's art in such a coherent display underlines the way in which he loved to tackle similar subjects from different angles, as seen in his many pictures of ballet scenes and jockeys. He was rarely concerned with depicting dancers or jockeys in action. He was enchanted by the chance of catching a dancer as she pulls on her stocking or stands by a stove — casual scenes that heighten the illusion of reality. Racing colours, ballet costumes and gorgeous picture hats presented him with an exciting range of tonalities.

Degas's subtlety is confirmed by his ability to manage dark tones, as in the various versions of the *Rehearsal of the Ballet on Stage* from the early 1870s, or the superb *Jeantaud before the Mirror* c. 1875. It was typical of Degas's love of pigment for its own sake that he should have created a sort of signature tune that is found in many of his paintings — a cadence of black paint, as it were, that appears without any specific reason in *Violinist and Young Woman holding sheet music*, of 1872.

Degas's curiosity into the nature of colour was one motive that led him to employ pastel, which he increasingly did in later years, when suffering from eye problems. He loved this medium and valued eighteenth-century French art.

That craftsmanship appealed to Degas is amply shown by a judicious selection of his monotypes. This medium had found a notable practitioner in the seventeenth century in G.B. Castiglione; Degas was introduced to it by his friend, the Vicomte Lepic. Degas's mastery of the monotype was astonishing; he was a true virtuoso. Sometimes he used a monotype as the basis for a pastel, especially in his renderings of the café-concerts. Degas's considerable sense of humour also marks the monotype illustrations of the ballet tales of his friend Ludovic Halévy. Monotype, too, served as his chosen medium for the remarkable prints of women in brothels, which also have a humorous, quizzical touch.

This comprehensive exhibition (only the few early landscapes are missing) brings out Degas's variety and versatility. This is particularly evident during the short period he spent in New Orleans (1872-73). Degas's mother, who died young, came from this city; his paternal grandmother was Italian. Degas enjoyed himself on this trip, though missing Parisian life. He did not, however, fall for the picturesque side of the south; he painted some unusual portraits, including one of a convalescent and another of his blind sister-in-law, Estelle.

Degas's most accomplished painting of this period was the famous *Portraits in an Office*, of 1873, which was bought in the artist's lifetime by the Museum at Pau. This represents members of the Musson clan; the sitters seem happy and contented, but recent research has revealed that their financial situation was extremely grave as a result of a crisis on the cotton market. That they appear untroubled is another illustration of Degas's shrewd observation that an artist makes the true with the false.

Degas's work had attracted considerable interpretation, much of it far-fetched. Inevitably much critical ink has been spilled over the *Interior*, also called *The Rape*, of c.1868-69, the theme of which may derive from a story by Duranty or Zola. There is no evidence that a rape has taken place, and the notion that the open box is a symbol denoting the woman's loss of virginity is no more than fanciful.

The artist, it should be remembered, rather liked to show that he could do one better than his contemporaries: he was a sharp critic of others, in fact. Clearly he found the subject interesting, otherwise he would not have painted it; the picture not only serves to convey a message (now obscure) but once again reveals his virtuosity as a master of intimate light and delicate formal arrangements.

The catalogue of the exhibition is a huge document (over 600 pages) containing much of interest for the specialist, although some of the views expressed seem tendentious, especially those concerning the series of nudes, *After the Bath*, dating from 1895. Its size suggests that more editorial control is required for such publications, although this is not to say that it lacks valuable information.

Whatever may be read subjectively into Degas's art there can be no denying his immense gifts as a painter. His passion for colour is made clear in this exhibition, in such adorable pastels as *Breakfast after the Bath*, of 1895, or in the dream-like backgrounds of the later pictures of jockeys. His ambition to create sculptural form is no less clear, in his paintings, pastels and drawings. His desire to achieve new forms was relentless.

The paintings of women at their toilette, or having their hair tended, works which lead on to Bonnard and Vuillard, are among the masterpieces of all time. These are pictures in which colours and patterns combine to provide an illusion of life: the design was much more than is often admitted to the influence of Islamic carpets. Such works were not produced by a man who despised the world or who disliked women: they reflect a profound passion for the sensuous beauty of the eternal feminine transposed into art.

● *The exhibition, which has been made possible by United Technologies Corporation, closes on January 8.*

Electra

THE PIT, BARBICAN

The Royal Shakespeare Company started 1988 by ignominiously botching a mother and daughter tragedy in *Carrie*. It ends by hitting the same elusive bullseye dead centre with Sophocles' *Electra* in The Pit of the ghastly Barbican.

Terry Hands, the RSC's artistic director, might feel justified in claiming that his honourable failure (to be generous) with Stephen King exposes more exultantly a subsequent triumph with Sophocles.

But Deborah Warner's production digs right down to the proper RSC roots, with a great central performance by Fiona Shaw, an imaginative exploitation of this space not seen since the Howard Barker season, a rare sense of RSC ensemble, and the re-establishment of such members as Natasha Parry as Clytemnestra, Derek Hutchinson as Pylades, Sonia Ritter and Julia Swift in the Chorus, and Gordon Case as the dispossessed, Rasta-headed Aegisthus.

The occasion refers immediately to John Barton's unjustly forgotten work on *The Greeks*, eclipsed in 1980 by *Nicholas Nickleby*, and stirs useful comparisons with *The Bite of the Night* in this same venue this year. Where Barker's play critically ponders the myth of Helen, Warner's production recasts the essential, tragic notions of guilt, sorrow and retribution.

In this she is much aided by Kenneth McLeish's sharp and speakable translation. The same writer's work on *Philoctetes* was unluckily subjected to Cheek By Jowl campiness. Here, the house of Agamemnon is presented in stark, timeless terms, with a sliding panel heavingly shifted by Miss Shaw on her first entrance, a circular dust bowl, a traverse open gutter filled with water. Hildegard Bechtler's superb design is nothing if not Brookian, with a distinct feel of the Bouffes du Nord.

I remember, from the Barton cycle, Orestes, Pylades and Electra ripping vengefully through the palace like crazed terrorists in the Euripides play. Miss Shaw now re-focuses the action as an expression of vicious sorrow. Is she the Princess Electra? Yes, she says, the *Princess of Grief*. Hair shorn, body fleetingly exposed beneath a black and shifting shift, she embodies a furious, martyred rage that is a running stream of sparkling anguish in her beautifully unrestrained cadences of County Cork. There is always something self-immolating about the greatest actresses — Redgrave, Jackson, Peggy Ashcroft. Fiona Shaw, with this performance, irreversibly joins their company, confirms her right to be there.

Her finest moments come at the points of revelation, when the apparition of her returning brother Orestes (Piers Ibbotson) is confused with ideas of a miracle, or when she smears

Fiona Shaw in *Electra*

his supposed ashes on her arms after paying ecstatic tribute and wallowing in dust and tears. Her performance, like her appearance, is pared to the absolute bone, strong, brittle, naked and resolved.

It speaks volumes about the anger of political heredity, and is fully complemented in the final moments by a stunning exposition of the swaddled corpse which, you think, cannot possibly contain the blooded limbs of Miss Parry's slinky matriarch. It does. Horror is re-born, as it was in the Warner *Titus Andronicus*. This director is hot, her magic even surer without those signatory ladders. A great and rewarding evening.

Michael Coveney

The Wizard of Oz

BARBICAN

The RSC's *Wizard* is a Christmas treat for dog lovers and art deco collectors, more a homage to Hollywood and its icons than an innocent fantasy for children. A fortnight of provincial pantomimes has convinced me that innocence is a rare and precious commodity, so it comes as a disappointment to find none of it here. Even more of a jolt was the recollection that the Wicked Witch of the West was another pantomime dame — a shimmering black cloud of chiffon who descends in a black orb to match the pink ruched one inhabited by the Barbara Cartland of witchkind.

Picture: Alastair Muir

Simon Green, Gillian Bevan, Trevor Peacock and Paul Greenwood in *The Wizard of Oz*

The big differences between this and the provincial panto are the genius of of Harold Arlen and Yip Harburg in fashioning a show that refuses to lie down and think of England, and the visual extravagance of Mark Thompson's design, which pumps out the images, from green apple trees to rampant red poppies, from monochrome Kansas to a gaudy emerald empire surrounded by a yellow brick revolve. The effect, helped by Nick Chelton's lighting, is an eye-level amazement which could, at a pinch, be mistaken for childlike excitement.

Much of the cast remains the same as last year, although Gillian Bevan replaces Imelda Staunton as a Dorothy whose girlish enthusiasm and crystal-clear voice — which settles nicely after a rather vibrato-laden start — serves the company well. Joyce Grant, the replacement Good Witch, has some trouble with her upper register, although it is hard to tell how much of it is due to a sound system which infuriatingly switches into action a good few seconds before each song — creating distracting mid-sentence volume changes.

I am not convinced anyone could repeat the noble cowardice of Bert Lahr's lion — one of Hollywood's greatest creations — but one thing is for certain: Trevor Peacock isn't the man. He has his moments, chiefly when retreating from the stage, but more often seems lost in mangy depths of beard. Paul Greenwood's bendy scarecrow and Simon Green's lanky tinman make a diverting double, falling short only in the final sentimental investiture, itself too long drawn-out.

Ian Judge has clearly indulged his cast, most apparently Bille Brown's splendidly wicked witch, whose dissolution into a smoking hole in the floor is one of the show's most miraculous moments, just as his earlier exit, bestraddled by a winged demon, is one of its cheapest and nastiest.

Claire Armitstead

American opera revivals

There is a repertory of American operas that are quite often revived around the country: Menotti's *Telephone*, *Consul*, and (every Christmas) *Amahl*; Douglas Moore's *Baby Doe* (the City Opera brought it back this season); Carlisle Floyd's *Susannah* and *Of Mice and Men*; Robert Ward's *The Crucible*. They are not, in my view, the best American operas, but they have proved themselves effective; they are fairly easy to mount; they provide strong "acting roles;" and they offer small challenge to a Puccini-orientated audience.

I think them less worthy, less rewarding, than John Eaton's *Danton*, *Cry of Clytemnestra*, and (if I may mention an opera on which I collaborated) *Tempest*. Argento's *Postcard*, *Poe*, and *Miss Havisham*, Hugo Weisgall's *Six Characters*, Floyd's *Bilby's Doll* are operas more ambitious. But I do see why, in the present climate, they get done, again and again.

The Crucible has had two revivals this season, by the Pennsylvania Opera Theatre and by the Juilliard Opera Center. I saw the Juilliard's. With its many roles, the opera is a natural for a student troupe. And it was well performed, on an almost bare stage, in a strong, economical production by Eve Shapiro (ex-RADA, and now on the Juilliard faculty).

However, my reaction was to wish that the orchestra would fall silent and that the singers would stop singing and give a performance of the Arthur Miller play on which the opera is based. War's music, drably diatonic, adds nothing to the original. It muffles and mutes the drama. The première, at the City Opera, in 1961, was enacted by gleaming performers — Patricia Brooks, Frances Bilbe, Norman Treigle — who must have been stunning. The opera won the Pulitzer prize. Today, the score seems to wet-blanket the play.

But two performers were outstanding: Kurt Loft Willett in the leading role, John Proctor; and Wonjung Kim, beautifully accurate and focused in the small part of Mary Warren. The Juilliard — and also the international musical scene? — seems to be filled with performers from the East, both instrumentalists and vocalists, whose accuracy of ear and technical ability to hit notes dead-centre puts Western performers to shame.

Andrew Porter

ARTS GUIDE — December 16-22

EXHIBITIONS

London

The Royal Academy. Toulouse-Lautrec: The Graphic Works. Comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsmen. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy. Ends Jan 4.

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working methods and materials. Ends Jan 17.

The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. Ends Jan 8.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembranditesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue; the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).

Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of inventionto metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42.77.12.33)

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky. Closed Monday. Ends Dec 31.

Musée d'Art Moderne, 1-2 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.

Palais des Beaux-Arts, 23 rue Ravenstein-Claes Oldenburg. A Bottle of Notes and some Voyages. Sculptures, drawings and models that reach beyond the genre of Pop Art. Closed Monday. Ends Dec.30 (512 50 45)

Vienna

Kunsthistoriches Museum. Prague 1600 — A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but the sciences too. He kept Johannes Kepler, the astronomer from near starvation, made Prague a centre of learning and culture. Ends Feb 26, 1989.

Museum der 20 Jahrhunderts. Klassische Moderne — a collection of the Museum's contemporary art. Ends March 7, 1989.

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. Until Jan 31.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venician landscapes of five centuries, is at the National Gallery. Ends Jan 22.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner, Martin and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venician landscapes of five centuries. Ends Jan 22.

Tokyo

Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.

Nishimura Gallery, Ginza. Katsura Funakoshi. Recent sculptures by one of the Japanese artists who exhibited at this year's Venice Biennale and who works in wood in what is essentially a realist tradition. Closed Sundays.

The Little Prince

NEW VIC, BRISTOL

The Bristol Old Vic's junior house is doing a pretty adaptation of Saint Exupery's *The Little Prince* by Anthony Clark, an arrangement with Manchester's Contact Theatre.

Steve Woodward directs, on a somewhat modest scale; designer Amanda Fisk's set remains unchanged throughout, an empty desert with a disabled plane in one corner, and a balcony on which the inhabitants of Asteroids Nos. 325 - 330 explain their ways of life.

There is the plane's pilot (Graham Sinclair) too, but after his first talks with the Little Prince he has little to say. The Prince is a girl, the fetching Juliette Grassby; I thought this a pity until I realised (almost at once) that it doesn't matter what "he" is, he only has to learn to live with people, not to make ties with them.

Apart from the pilot, the only creature with whom he makes any ties is a fox, who, like eight assorted representatives of asteroid populations and an obliging snake, is sexually uncommitted.

June Lancaster plays a rose, whose life depends on other folks' culture; a king, who rules all the stars to no advantage but to his satisfaction; a drunk who lives for the shame of being a drunk; and a lamplighter who follows his orders with no idea of their purpose.

Darren Tunstall is a show-off who cares only for others' appreciation of his inanity; a business man tirelessly busy with the accounts of a business he doesn't control; and a geographer, who knows about everywhere but has never been anywhere.

Darren Tunstall is also in charge of the snake, who obligingly gives the Prince a fatal bite so that he may leave his worlds of indecision and spend an eternity in a sphere more to his own taste.

This kindly act by a creature instinctively disliked is perhaps the best of the lessons the story has for its readers, or auditors, for it teaches them not to depend on prejudice.

I doubt if many of the younger members of the audience had much idea of what was going on, but they seemed to enjoy the simple experience of watching people acting for them, and so did I.

There are some pleasant songs by Mark Vibrans, pleasantly sung, and the set is simple and uncontentious. A single pile of stones had a great fascination for the smaller children; they all wanted to venture out and touch it.

B.A. Young

FINANCIAL TIMES

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The politics of congestion

LONDON COULD have a clean, quiet, efficient, uncongested transport system: one which matches Britain's status as a relatively prosperous industrial nation. The fact that it makes do with a noisy Heath-Robinson contraption reflects a long history of neglect – and the present prejudices of the Thatcher Government, which neither likes spending money on infrastructure nor accepts that public-sector planning, rather than market liberalisation, can sometimes be a *sine qua non* for progress.

What presently masquerades as a policy is a series of *ad hoc* responses to particular local difficulties. The M25 ringroad was clogged almost as soon as it opened; the Department of Transport is therefore widening it. In the same spirit it has commissioned four studies of particularly awful bottlenecks in London. It is also introducing more sophisticated "traffic management" systems such as intelligent traffic lights which respond to the volume of traffic on different roads. But such measures are almost irrelevant given that average traffic speeds *throughout* the day in central London are 11-12 miles per hour. A cure for this general malaise is not even on the distant horizon.

Any serious attempt to get to grips with London's traffic problems is vitiated by ministers' failure to recognise that they are dealing with an *inter-dependent* transport system. Travellers have a choice of four modes of transport: motor cars, buses, trains and the Underground. Policies for each have been formulated independently; yet each influences the others, sometimes decisively. Some experts, such as Dr Martin Mogridge of the Transport Studies Unit at University College, London, go so far as to argue that road speeds are determined by the swiftness of the mass transit alternative, which in London is the Underground.

Equilibrium theory

The theory is that people will shift between the various alternative means of transport until they all offer roughly equivalent door-to-door journey times. New roads or more sophisticated traffic lights will thus have little or no impact on road speeds because they will simply attract people, at the margin, from the rail and tube networks. According to this "equilibrium" theory, the only way to increase road speeds and lessen London's misery is to invest more heavily in public transport. This theory may not be correct in all its details, but what it illustrates is that transport decisions have to be co-ordinated by a central authority.

The Department of Transport's failure to think of London transport as an organic whole is also evident in the terms of reference of the Central London Rail Study, which is expected to report early in the new year. It is examining ways to alleviate overcrowding on rail and the Underground. The touted solution is expected to be several new tube lines costing billions of pounds.

But such a prescription would address the symptoms rather than the causes of overcrowding. One reason for congestion is the inefficiency of Britain's Victorian railway system, which deposits vast numbers of passengers at terminals on the edge of central London. If the main railway lines continued *under* London, through passengers would not need to use the tube at all and those heading for destinations in the capital could exit through one of a series of existing Underground stations. If such a strategy were coupled with radical measures to improve traffic flow on the surface, it might be possible to eliminate overcrowding without building a single extra tube line.

Price mechanism

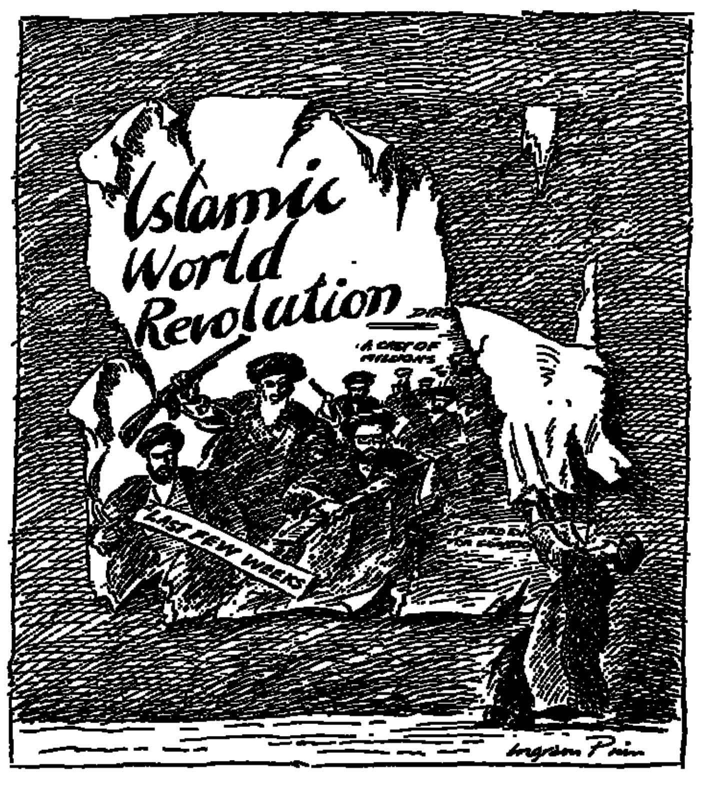
Am efficient above-ground public sector transport system might well be a partial alternative to heavy investment in the Underground. It is now technically possible to charge motorists for the congestion costs they impose on others. An aggressive use of the price mechanism (involving either supplementary licences or more sophisticated electronic sensors) could free road space and facilitate a big expansion of bus fleets, which could again become a reliable means of transport. Better still, the Government could experiment with trams: these would be better suited than buses to the heavy traffic flows in central London. Past problems with trams mainly reflected a lack of dedicated track – in other words lack of political will.

There are many exciting possibilities – all of which would cost a lot of money: perhaps an extra £½bn a year over and above present capital spending plans. The question thus arises: who should pay and how? Since Londoners have helped finance massive investment in the rest of the UK (such as motorways), it would be reasonable to finance some of it through general taxation. But not too much: an excessive subsidy from the rest of the UK would only exacerbate the existing tendency towards agglomeration in the south-east. The users of a better transport system should bear a sizeable proportion of the burden – mostly through local taxation but also through higher fares. The problem at present is that the choice of spending more and enjoying better transport is not even on offer.

Andrew Gowers on the changing emphasis of the Islamic revolution

THE WATERSHED YEAR

Adjusting to reality



In July, just a day before a US warship shot down an Iranian Airbus over the Gulf, one of Iran's leaders made a remarkable speech.

"One of the wrong things we did, in the revolutionary atmosphere, was constantly to make enemies," said Hojatoleslam Ali Akbar Hashemi-Rafsanjani, the parliament speaker and acting commander-in-chief. "We pushed those who could be neutral into hostility, and did nothing to attract those who could become friends."

With those words, Mr Rafsanjani was not only signalling the beginning of the end of the Gulf war and of Iran's gradual readmission to respectable international society. He was also sounding the death knell of an idea: the violent export of Iran's Islamic revolution to other states.

In the rhetoric of Iranian politics, the goal of spreading the message – principally by toppling the secular Iraqi regime, but also by threatening other Gulf states, interfering in Lebanon, and confronting East and West – had played a paramount role since the revolution's early days. Its effective abandonment, and the accompanying changes in the foreign policy of one of the Middle East's most important countries, are among the principal landmarks of 1988.

Since late spring, the Iranian regime has restored diplomatic relations with France and Canada, agreed to normalise ties with Britain and Kuwait, and made overtures to countries as diverse as Saudi Arabia and the Soviet Union. It is pursuing a purge of radical clerics associated with armed groups abroad. In Lebanon, it may not have delivered on promises to work for the release of Western hostages, but it is, at least, not conspicuously encouraging the seizure of any more.

Some large qualifications are in order. With the Iran-Iraq war only transformed so far into a heavily armed truce and with hardliners within the Iranian Government awaiting an opportunity to challenge the pragmatic line, it is not yet certain that the policy will hold. But Iran's leadership seems broadly to have recognised that it has more pressing problems at home – not least the task of developing a coherent and unified political vision to guide the Islamic Republic after the death of its ageing spiritual leader, Ayatollah Ruhollah Khomeini.

The change of focus in Tehran does not, of course, spell an end to the type of violent Islamic militancy that has sprung up in recent years. Nor does it imply any diminution in the strength of the religious revival which the entire Islamic world has been undergoing for more than a decade and in which Iran's role has been grossly exaggerated. There is no sign that the trend of increasing personal piety among Moslems – and their desire for more attention to be paid to religion by their rulers – is on the turn.

But in Iran's immediate vicinity and in the limited areas further afield where its revolutionary influence has been strongly felt, few people doubt the import of this year's events. A former Kuwaiti Government minister says: "The revolution in Iran has been demoted to a political movement. It is no longer holy and infallible. Its leadership is being challenged from within."

This, he says, is bound to have an impact on young Shias contemplating acts of subversion in countries like Kuwait; they will pause for thought when they see the country they regarded as their ideological sponsor mending fences with the erstwhile enemy.

In Lebanon, too, those Shias who have benefited from Iranian patronage are bound to be asking themselves similar questions. Stripped of the ideological plausibility which the backing of a power like Iran had given them, the hostage-takers and hijackers of Islamic Jihad and other groups begin to look like the conventional political extortionists they always were.

The uncertainty in Iran is also symptomatic of two trends which have become increasingly evident this year in the Islamic revival as a whole:

● A tendency on the part of religious activists to work for political change *within* the existing system, or by negotiating with it rather than violently confronting it. This has been accompanied by a greater readiness on the part of some governments in the Moslem world to deal with non-violent activists, while maintaining or even intensifying a crackdown on the violent fringe.

● The activists' continuing problems in agreeing on or articulating what their desire for Islamic government means in practice. In many Arab countries, this is a subject of lively discussion among middle-class intellectuals as distinct from the masses, who are not inclined to theological debate but believe in a general sense that their society should adhere to Islamic precepts.

To appreciate the way these two factors have combined to create a partial change in the climate, one has only to recall the sense of alarm in the West at the beginning of this decade, when Iran was perceived to be at the centre of an "arc of crisis," with overtones of superpower confrontation. The fundamentalist ferment unleashed by the Iranian revolution was compounded, on this view, by the Soviet invasion of Afghanistan, and the intensifying battle between Moslem guerrillas backed by an increasingly Islamicised Pakistan.

In subsequent years, concern has been aroused to a lesser degree by Islamic – or specifically Shia – agitation in states as different as those of the Maghreb, the Gulf, Egypt and Syria.

In view of these fears, the striking thing about the 1980s is that the Iranian revolution has not been followed by similar upheavals elsewhere. The Afghan rebels' struggle may have contributed materially to Moscow's agreement to withdraw its forces from the country, but the fact is that they have been prepared in recent weeks to sit down with Soviet representatives – in, of all places, Saudi Arabia – and negotiate on the country's political future. In Pakistan, the imposition of Islamic Sharia law from the top by the late President Zia ul-Haq has given way to the pragmatic government of Benazir Bhutto.

In some Arab countries, tentative moves have been made to appease or co-opt the Islamic opposition. This has been notably the case in Tunisia, where President Ben Ali has moved swiftly in the last year to defuse the tense political climate he inherited when he seized power from the senile Habib Bourguiba by releasing Islamic activists from jail.

There and in Algeria, where riots in October have generated an extraordinary drive for political reform, there is a realisation that allowing greater freedom of expression helps ease political tensions. In countries with repressive sectarian governments such as Syria, the Islamic activists – drawn from the country's Sunni Moslem majority – are the opposition, although they have been largely quiescent since the brutal crushing of a revolt in the city of Hama in 1982.

Even in Egypt, where tremendous economic and social problems have created a fertile breeding ground for religious extremism, President Hosni Mubarak has taken the cautious step of allowing the Moslem Brotherhood – representing the Islamic "establishment" as opposed to the violent fringe – into parliament.

In at least some of these cases, the rulers hope that by giving religious activists access to a political platform they will rob them of widespread support. In the words of Mr Patrick Bannerman, an expert on Islam at Britain's Foreign Office who has just published an authoritative book on the subject: "The hope is that, given enough rope, the activists will hang themselves by demonstrating the paucity of their political ideas."

It has not escaped the notice of Moslem intellectuals elsewhere that the only country where religious forces have succeeded in toppling a secular regime is having increasing trouble in defining practical policies. Iran's clerical leadership has merely discovered the overwhelming practical considerations which all oppositions are forced to confront when they come to power.

In that sense, the 1979 revolution can now be seen much more clearly for what it was: a specifically Iranian phenomenon, responding to a unique set of political, social and economic circumstances. That is not to say that the ingredients for violent political change are not present elsewhere in the region, but it does suggest that the recipe for such an upheaval will be quite distinct from that which produced the Iranian explosion.

This article is the second in a series which began in Monday's issue.

BOOK REVIEW

The century in miniature

CHRONICLE OF THE 20th CENTURY
Editor-in-Chief: Derrik Mercer
Longman/Chronicle Communications, £29.95

Looking for some light reading to take away on holiday? Alas, I cannot recommend this volume, whose 1,360 pages weigh in at 8lb – more than the average baby at birth. If on the other hand you have a teenage child struggling with GCSE or A-level history, or a parent who likes to recall what was showing at the local Gaumont the night they heard the Abdication Speech, it might be just the Christmas present you're looking for.

The original idéa (sic) is credited to one Bodo Harenberg of Dortmund, but the book as we have it "has been conceived and published" by Jacques Legrand of Paris. Britain is evidently rather late in the day, being only the 15th country to acquire its own national edition. The editors were "able to draw upon editions already published in France and the United States". But, they assure us, "no one edition is a reprint of another. Each, in respect of editorial and photographic content, has been individually prepared for the particular language market." So what we have in this case is the history of the 20th century as the alert *British* newspaper-reader might have experienced it, month by month.

The formula is ingenious – no doubt the fruit of much careful thought and discussion. Each page is divided into four columns, and the account of each month begins with a tinted column showing a calendar at the top and then a list of events in chronological order; at the bottom come the births or deaths of famous people and, in December, the "hits of 1983" (or whichever) and one "quote of the year." This standard column is followed by a variable number of illustrated ones giving an account of the more important events of the month, written as if on the day in question. The December items include a review of developments in the arts and sciences during their year. On average each month gets more than a page, and events are given for more than half the days in the century from January 1 1900 (strictly the last year of the 19th century, but never mind) to December 31 1987.

What we have is the history of the 20th century as the British newspaper-reader might have experienced it, month by month

All the illustrations are contemporary, except for a few maps and statistical tables. This makes for a relative lack of colour in the early years of the century, partially redressed by the use of a fine variety of commercial posters and "artist's impressions." Each decade opens with a double page spread of a contemporary painting, taken to sum up the spirit of the age. A full page (from 1,936 onwards two pages) is given to each Olympic Games, listing all the medallists with their nationalities and times. The volume concludes with two pages on "the natural world imperilled by century of change," and a general index occupying 60 pages.

Presumably the first thought was to compile the book from actual newspaper clippings, but this must have been quickly abandoned. It would have been too difficult to find items sufficiently self-explanatory and yet brief enough to fit into the space. But the authors have stuck to the principle of describing events as they unfolded to the public, eschewing the crystal ball of hindsight "apart from listing the births of people who were to become famous."

Well, not quite. Hindsight is obviously a key factor in the *selection* of items. For instance the editor himself draws attention, in the introduction, to the inclusion of the arrest of Ayatollah Khomeini in June 1963, and of "the loss of a car ferry because its doors had been left open" in January 1953.

The layout and above all the style are those of a late 20th-century newspaper. This is especially noticeable in the headlines: "Violent Boxer uprising rocks China," "Lillie Langtry wows Washington," "Amazement as Kaiser knocks Britain." Thus one learns what contemporaries might have known, but not in the language they would have used. To that extent it is more like reading a historical novel than a contemporary source. Indeed it occurs to me that historical novelists are one category of people who should find the book particularly useful: a lot of their more humdrum research is done for them.

As for teenage examination candidates, they should not expect to find their basic reading or revision done for them. Although with the help of the index and the system of forward cross-references (pointing you to the next episode in the same story) you can trace a particular theme or subject, the essentially chronological structure of the book doesn't really lend itself to that. On the other hand for the student working on a GCSE project it should be a valuable source of illustrations and ideas; and for the adult who likes to reminisce or browse at random in the recent past it is simply irresistible.

Edward Mortimer

Water rules in confusion

YESTERDAY'S high court judgment, which opens the way for Britain's 10 state-owned water authorities to bid for the 28 privately owned water companies, lifts one uncertainty from a highly confused battlefield.

The Government's proposals to sell off the authorities have made the existing private "statutory" companies suddenly much more attractive to the market. They will be allowed to escape the restrictions of the separate Acts of Parliament under which they are incorporated to become public limited companies operating under licence. It is widely expected that these licences, the terms of which will be published early next year, will allow the private companies to operate on a much freer rein.

This has resulted in a burst of buying activity mainly from three French water groups. Twelve agreed bids (all but one from France) have now been made. Meanwhile the 10 nationalised water authorities have been forced to stand on the sidelines because of uncertainty about their legal ability to bid. Yesterday's judgment shows belatedly that the powers derived from the 1973 Water Act do allow the water authorities to buy shares in the private water companies and indeed to merge with them if the Secretary of State agrees.

This clarification may allow the water authorities to limp on to the playing field with the half time score already 11-1 to France. But the pitch remains far from level. The authorities are still ignorant of their capital structure after privatisation and of the regulations which will determine their revenues and investment obligations. Moreover, the 28 statutory companies cannot mount the defence or counter-bids which might be open to them after the Water Bill becomes law.

The Government has therefore started a game of Monopoly in which the dice are badly loaded against the British players and in which half the rules are still unknown. This week's statement by Mr Nicholas Ridley, the Environment Secretary, that he wants to preserve a diversity of water companies, was hardly adequate, especially as he has not said how this will be done.

It is true that this particular privatisation adventure had a difficult starting point. The status of the statutory water companies was untidy, so that the transition to a fully privatised regime was bound to be difficult. In an industry where true competition is almost impossible, this should have been a reason to be particularly cautious. The profits now tempting French companies will be monopoly profits raised from British consumers. Early protection for the statutory companies should have been considered at least until the new rules for the monopolies were agreed by parliament.

More generally, the Government, instead of plunging ahead with water privatisation, might have looked more carefully at the structure of the industry and how its performance might be improved in a rational way. This is unlikely to be achieved by opportunistic takeover activity, which reflects distortions in the market resulting from the Government's haste.

OBSERVER

MacGregor's rescue

■ The Trade Policy Research Centre, which last summer was about to go under, is on the brink of a new start. It has been saved by a property deal and a committee headed by Sir Ian MacGregor, the former head of British Steel.

The deal has involved first acquiring, then selling, the freehold of the centre's offices next to Dr Johnson's House in London's Gough Square. That should bring in about £1.4m – more than enough to clear off the accumulated debt and leave about £½m in hand. The next step is to find new premises somewhere central, but less expensive.

Hugh Corbet, the 52-year-old Australian director who has been associated with the centre since it was launched 20 years ago, says that it will be like beginning again.

The MacGregor committee included Anthony Loehnis, formerly with the Bank of England and about to join Warburgs, Edward Streator, the former American diplomat now living in Britain, and a Japanese lady called Haruko Fukuda, now an executive director of Nikko Securities. Behind the scenes was David Henderson of the OECD.

It was Henderson who brought in Fukuda, who had once worked at the centre then worked with Henderson at the World Bank. Some, but not all, the corporate members chipped in with about £150,000 between them.

The rescue operation, however, is only partly complete. There is a backlog of work that will take six months to catch up with. There is also the question of long-term funding. The MacGregor committee will thus stay in being to seek endowments from Europe, the US and Japan.

If all goes well, it will be more professionally run in future. There will be a new executive committee, resources for a development director and some recruitment of staff after the cuts in the last few months. Corbet himself says that he expects to stay for at least two years and to get back to the serious business of trade policy research. No other institute in the world does it in quite the same way.

Foggitt's law

■ "As the days lengthen, the cold strengthens," said Bill Foggitt, the 75-year-old North Yorkshire weather sage yesterday, reflecting on the shortest day of the year.

He had just returned from a drink with his friend the Baptist Minister at the Three Tuns in Thirsk. Foggitt himself has just celebrated his 50th year as a Methodist lay preacher in spite of criticism from his father that he was wrong to partake of drink. "I told him that John Wesley was a port drinker, so I put a stop to that".

He was also criticised for gambling, even though he had refused to a bet on a white Christmas this year. He said: "It's too mild and I don't agree with the bookmakers' qualification for a white Christmas – a single snowflake on top of the London weather centre. Anyway, you can't help but be a gambler if you're a weather forecaster."

Foggitt's records note 10 white Christmases this century (11 if you include heavy snowfalls on Boxing Day in 1956) using his own definition of an existing ground covering of snow or good snowfalls on the day itself. The last decent spate of White Christmases, he said, was four in the 1830s recorded by his great grandfather. "The snowfall on Christmas Eve and into Christmas Day in 1836 was so heavy it stopped the Newcastle to London stagecoach at Yarm and the horses had to be shot," he said.

Those were the days when the Thames used to freeze over. "I'm sure the severe winters in that period influenced Charles Dickens - born in 1812, the same year as my great grandfather. There was a cartoon showing Pickwick skating on the Thames."

"Don't worry – it's only a blip."

Danish bonds

■ Scandinavia's Social Democratic movements have a confusing attitude to money. They have created societies in which income and other taxes are so high that the ordinary, decent worker can hardly hope to accumulate even a spot of capital. And woe betides the "brother" who admits to earning a bit on the stock exchange.

The latest victim of this suspicion of "unearned income" is Mogens Camre, a former parliamentary spokesman on fiscal affairs for the Danish Social Democratic Party, now in opposition. Camre lost his seat in the Folketing in 1986 and failed to regain it in the election in May this year. His constituency party has sacked him as its candidate, probably putting an end to his political career, on the grounds that he is a speculator.

Camre's offence was using his expertise as an official of the National Debt Office. He borrowed money from his bank, invested it in the bond market, and spent his DKr 50,000 (about £4,000) capital gain on financing his election campaign.

Meanwhile, the Danish Trade Union Confederation, on which the Social Democratic Party depends for a substantial part of its income, invests in the bond market on a scale that Camre never dreamed of. It even invests in equities.

Chocolates

■ A splendid new chocolate shop has been opened by H Blankley & Son in the City's Leadenhall Market, close to the Lloyds building. It is very small, not very cheap and yesterday was packed to overflowing. The choice is extensive and you can eat free chocolates while waiting to be served. One man upset a whole lot of chocolate balls on to the floor and nobody seemed to mind. Next week or so it will start selling a vast range of coffee as well. If you can see them for the chocolate boxes, there are also some not bad murals.

Hijacked

■ The latest report by the EC's Court of Auditors, which describes how fraudulent claims have been made for millions of pounds in export subsidies, is in great demand by MPs at Westminster. The Speaker told the House yesterday that only two copies, sent by mail, had reached the Commons. The rest, sent by air freight, had yet to arrive.

ECONOMIC VIEWPOINT

Looking for the next worry

By Samuel Brittan

The Organisation for Economic Co-operation and Development expects the UK current payments deficit to creep up in 1989 and 1990 instead of coming down sharply as conventional opinion insists must happen.

Macroeconomic forecasts of the British economy are not the OECD's strong point. But in any case we should not lie awake worrying. So long as the payments deficit soon stabilises as a proportion of gross domestic product – and the one month's trade figures due tomorrow will not tell us one way or the other – Britain can probably live with it.

The US has long-lived with twin deficits on both the budget and the current balance of payments, to the discomfiture of the prophets of doom. The UK can live with a deficit on the current account alone.

My main worry relates not to the balance of payments but to policy. The British domestic economy could easily begin to slow down before definite results come through in the balance of payments.

Indeed, there are now at last real signs – and not just forecasts – that the domestic economy is beginning to cool down. On their own a single month's retail sales or money supply figures tell us very little. More important is the report that two thirds of estate agents have found house prices static or falling in the quarter to November, documented by the Royal Institute of Chartered Surveyors. This is the first indicator that has made me feel in my bones that domestic demand is on the turn.

But there is a long route between domestic demand slowing and lower inflation. Along that route lie the prospect of a few recessionary quarters which will test the Government's resolve. There is no such thing as a completely soft landing, given British labour market psychology and expectations.

Some time in 1989 we could easily see an unholy alliance of devaluationists and technical monetarists developing to force British interest rates down – not too soon, but too far. The devaluationists will argue that the balance of payments is suffering from lack of competitiveness. The technical monetarists will point to a slowing in the growth of cash (which they call M0) and say that there is a danger of overkill.

Both kind of devaluationists are guilty of the same fallacy: lack of patience. Products cannot be switched overnight from the home to the export market; and lower spending feeds through to imports with a lag. The lags are even longer before a firm exchange rate feeds through to pay settlements – especially when exchange rate policy has to be implemented in a cloak-and-dagger way without the anchor of membership of the European Monetary System.

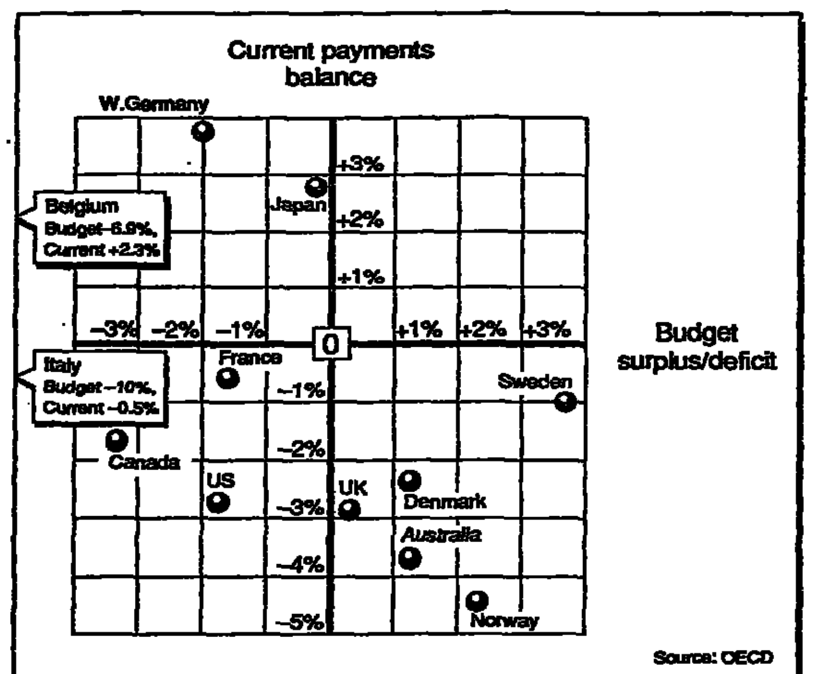
Indeed, I would expect the next argument between Mrs Thatcher and Nigel Lawson to be one where she wants interest rates lower than he does – the opposite of the popular conception of the Iron Lady and the expansionist Chancellor.

Even if Lawson were to stay as Chancellor, he would have to revise upwards his view of the inflation threat and would need all his well-advertised indifference to personal popularity if he were to reduce underlying inflation even to as unambitious a target as 3 to 4 per cent by 1992 – a target which, as the Treasury Committee usefully reminds us, was originally meant to have been achieved by 1987 and has been continually thrust further in to the future.

Indeed if those looking for a monetarist excuse to lower interest rates get their way, I would put my bet on the Phillips & Drew prediction that inflation will stay in the 5 to 6 per cent bracket right up to the next election.

* * *

Balances as a percentage of GDP, 1988



The most interesting parts of the new OECD Outlook relate, as one would expect, to the international economy rather than individual countries. Basically, it has good news to report, but succeeds in finding problems about which to worry.

It reports that output in the first half of 1988 in member countries was a full 2½ percentage points above that projected as recently as June 1987 – despite the Wall Street crash coming in between.

The average OECD inflation rate has, however, edged up from 3¼ per cent to 4 per cent in the course of 1988. The OECD's central forecast is of a soft landing with growth in the OECD area edging down from 4 per cent per annum to a more sustainable 2¼ to 3 per cent in the course of 1989, and inflation levelling off at 4 per cent.

But the organisation clearly regards the major risks as being on the inflationary side and there is a significant shift in the emphasis of its advice. For instance, it no longer asks for fiscal relaxation in the surplus countries once the US reduces its budget deficit.

The OECD is taking this fairly tough stance despite a discouraging unemployment outlook. For although Europe has seen the most sustained expansion of employment since the early 1970s, the OECD economists are afraid that unemployment will start to edge up again as output growth decelerates in the next year or two. Nevertheless their central message is that "there is little scope for demand-oriented policies alone to reduce unemployment without pushing up inflation. Structural rigidities in the labour and product markets will continue to limit employment prospects, especially for the large number of people who have been out of work for long periods and have few marketable skills."

The OECD worry most likely to catch governmental attention is its suggestion that the reduction in the US current account deficit might soon come to an end with a recorded deficit of over $100bn per annum persisting.

Yet a welcome note of doubt is now qualifying the alarm. The OECD admits that a very large devaluation, such as that recently experienced by the dollar, might have larger and more prolonged effects than the once-for-all changes suggested by its model.

It also concedes that a widening of current payments deficits within Europe might not imply a need for exchange rate realignment if "savings in excess of profitable investment opportunities in one country are channelled to another where opportunities are greater." But it is still obviously nervous about this new world of capital-led imbalances and, as usual, speaks with more than one voice.

* * *

However uncertain its policy advice, the OECD Outlook is always worth studying for the wealth of comparative international data it contains. Take, for example, the much-denounced US budget deficit. About two fifths of the federal deficit is offset by the surpluses of state and local governments and the social security accounts. The OECD's more comprehensive "general government balance" shows the US with a deficit of 1.7 per cent of GDP – less than that of Germany.

Moreover, the relationship between the budget and current account balances is not merely looser than in popular legend; it appears non-existent. The four countries with the largest budget surpluses shown on the chart are Sweden, Australia, Denmark and Norway. Yet Norway has the largest current payments deficit of all; Australia the second largest; and Denmark and Sweden have substantial current deficits too.

Now look at the countries with large budget deficits. Italy is off the map with a general government deficit of 10 per cent of GDP. Yet it has a very small current payments deficit of ½ per cent of GDP. Belgium and the Netherlands both have very high budget deficits of 6 to 7 per cent of GDP, but enjoy very substantial payments surpluses.

Nor does the relationship improve much if one looks at changes within a country. Since 1983 there has been a sharp swing from deficit to surplus in the Australian budget amounting to over 5 percentage points of GDP. Yet the payments deficit has, after increasing, returned to its original position. Over the same period, Sweden has enjoyed a swing towards surplus in the budget of nearly 9 percentage points of GDP, yet the payments deficit is stuck in the old position. The same applies to Denmark.

Thus the UK, which has seen a favourable swing of nearly 4 percentage points in its government balance and an unfavourable swing of 4 percentage points in its current account over the same period is far from being the odd man out. Whether coincidentally or not, in all these countries a rise in government savings has been offset by a fall in the private variety.

The root of the so-called payment imbalances in the developed world can be found by looking at the position of the large surplus countries, namely Japan and Germany. A special section in the OECD Outlook on "Ageing populations and public pensions" shows that Japan and Germany face truly frightening increases in the social security contributions in the first couple of decades of the next century. The adjustment will be much smoother if these countries meanwhile run a savings surplus, part of which it is rational to invest overseas.

No doubt in an ideal world these surpluses would be invested in the poorer developing countries rather than in the US, Britain, Australia or Scandinavia. But who is to say that prospective rates of return are not better in the latter countries, which also have a good record of servicing their debts.

Occasionally, a sharp rise in a payments deficit, such as Britain's in 1988, reflects suppressed inflationary pressure. But by and large it is the savings surpluses in the lending countries that generate the so-called imbalances.

Indeed, the OECD is beginning to show some recognition that the freeing of capital movements has made traditional views obsolete and that countries can run payments deficits until credibility constraints are reached. The OECD has no more idea than the rest of us where these constraints now lie, but at least it realises that it is in what its US members would describe as "a whole new ball game."

LOMBARD

The army's role in Armenia

By Patrick Cockburn

MIKHAIL GORBACHEV told the United Nations on December 7 that the Soviet Union was considering the problems of converting its military plant and expertise – soon to be redundant because of the proposed cutback in the Soviet armed forces – to civilian use. On the same day an earthquake devastated Armenia.

The disaster may have provided an opportunity – far more immediate and horrific than Mr Gorbachev would have liked – to use the army to meet civilian needs, by placing the Soviet armed forces in charge of the reconstruction of Armenia over the next two years. This has important advantages for Armenia, for the Soviet armed forces and for Mr Gorbachev himself.

The Armenians would benefit because the Soviet military has the best construction organisation in the Soviet Union – much superior, in skills and equipment, to its civilian counterparts. Instead of switching scarce resources from other parts of the Soviet economy to meet the needs of reconstruction, the military could use equipment, materials and personnel it already has.

For example, Mr Gorbachev told the UN that "assault crossing units with their weapons and combat equipment" would be withdrawn from Soviet forces in Eastern Europe. This means that the Soviet military has surplus bridging equipment which could be used in Armenia.

The army's political standing has been reduced under Gorbachev, and it is blamed for absorbing resources needed by consumers. Successful reconstruction of Armenia would increase army prestige in the country as a whole and would make its presence much more acceptable in Armenia itself.

In the two weeks before the earthquake at least 28 people were killed in Armenia and Azerbaijan, and some 170,000 had taken to the roads as refugees. Baku and Yerevan, the capitals of the two republics, are almost under martial law; continued heavy military presence is necessary to protect people against sectarian attacks.

It is plain, however, that the troops on the streets are an irritant – blamed by both Armenians and Azerbaijanis for partiality towards the other side. This might change if the Soviet army were to undertake projects such as construction of a highway linking Armenia to the Armenian enclave of Nagorno-Karabakh in Azerbaijan, the return of which has been the aim of Armenian agitation. The point would be not just to build a road, but to provide enough military protection to ensure that Armenians could travel safely between the enclave and Armenia proper.

Such palliatives are the more necessary because, long before the earthquake, it had become clear that any shift in Nagorno-Karabakh's status would provoke a furious reaction in Azerbaijan (and set a dangerous precedent for some 35 similar enclaves, scattered around the Soviet Union, which want to change their relationship with the republic in which they are included). Mr Gorbachev made a serious mistake a year ago in failing to rule out any change in territorial boundaries. By not doing so he raised hopes he was in no position to satisfy.

Does the earthquake offer the Soviet leader a new opportunity to break out from this impasse? In the past Mr Gorbachev has been adept at turning to his political advantage disasters or mistakes such as Chernobyl in 1986, or Mathias Rust's flight to Red Square in 1987. In Armenia and Azerbaijan both the political crisis and the natural disaster are on a much larger scale. Mr Gorbachev needs to produce a creative solution to the problems of the area if it is not to become a Soviet version of Lebanon or Northern Ireland.

Handing over reconstruction to the armed forces has the advantage of simultaneously meeting the material needs of Armenians, providing security so long as sectarian tensions persist, and providing an alternative and useful role for Soviet soldiers at a moment when their prestige and numbers are under attack.

Patrick Cockburn, former Moscow correspondent of the FT, is a Senior Associate of the Carnegie Endowment for International Peace in Washington.

LETTERS

Nuclear power arithmetic

From Professor J.W. Jeffery.

Sir, Mr P.E. Watts of the Central Electricity Generating Board (Letters, December 14), gives figures for the generating costs of a nuclear station, as calculated by CEGB, as though they are handed down on tablets of stone.

He says that at an 8 per cent rate of return, the generating cost of a nuclear station would be 3.09p/kWh. In my evidence to the Hinkley Point inquiry I calculated the cost as 4.58p/kWh (all figures in March 1987 prices).

Neither side challenges the other's arithmetic, so where does this 50 per cent difference come from?

My calculations are based on the CEGB's case for Sizewell B, with one major and one minor alteration. The rate of return is taken as 8 per cent (instead of Sizewell's 5 per cent), and the non-fuel operating costs are increased, in the light of US experience, to 0.55p/kWh from CEGB's 0.36p/kWh. Taking CEGB's figure for this item, the total cost is still 4.39p/kWh.

Mr Watts gives 3.03p/kWh as the unit cost for a coal-fired station. I think that my value of 2.51p/kWh is more realistic (for reasons given in my evidence), but even if we take CEGB's figure, this means that nuclear would be at least 45 per cent dearer than coal.

In CEGB's calculations, all the Sizewell conditions – which it had to fight so hard to get Sir Frank Layfield to accept at the Sizewell inquiry – have been upgraded for Hinkley Point.

The basic capital cost has been reduced from £1,438m to £1,179m. The hoped-for construction time has been reduced by a year – from 90 months to 78 (this is essential to reduce the interest during construction, especially with an 8 per cent interest rate). The average load factor, which CEGB had to struggle hard to keep as high as 64 per cent at Sizewell, has been upped to 75 per cent. In spite of evidence from the US that economic nuclear lifetime is likely to be cut short, the 35-year lifetime for Sizewell B has been increased to 40 years.

The combined effect of these four factors is to reduce the capital cost by 1.0p/kWh from the corresponding Sizewell value.

Finally, the cost of the nuclear fuel cycle has been nearly halved: from 0.77p/kWh to 0.43p/kWh. In fact the "front end" cost (the cost of making the fuel rods) has been exactly halved. This has been achieved by juggling with the projected cost of uranium and the future exchange rate.

Who says that the age of miracles is past?

J.W. Jeffery,
Department of Crystallography,
Birkbeck College,
University of London,
Malet Street, WC1

Gone for broke

From Mr Josias Cunningham.

Sir, Mr Ian Hamilton-Fazey refers (December 16) to Messrs Howitt & Pemberton as Britain's oldest family-controlled stockbroker.

My firm would beg to challenge for this position, having been founded by my great-grandfather on November 1 1843. The family's control of the partnership has been continuous since, and we are certainly completely independent.

Josias Cunningham,
Josias Cunningham & Co,
2 Bridge Street,
Belfast, Northern Ireland

From Mr S.W. Penwill.

Sir, I have received notification from brokers, through whom I used to deal, that the minimum commission charge will be £40, up from £25; an increase of 60 per cent.

So much for the Prime Minister's hope of encouraging a share-owning democracy . . .

S.W. Penwill,
76 Shoe Lane, EC4

Support for a consumers' nuclear power tax

From Mr J.G. Hewlett.

Sir, Your editorial "A Surcharge for Nuclear Power" (November 22) criticised the nuclear aspects of the UK Government's proposal to privatise the electricity supply industry.

I entirely agree that the privatisation of nuclear power will offer a unique opportunity to determine the market value of nuclear energy. Your views about the proposed nuclear tax, however, are off the mark. Moreover, nothing would be gained by retaining nuclear power in the public sector.

If privately owned nuclear power is to survive in a competitive environment, some type of subsidy or cross-subsidy is obviously needed. The proposed nuclear tax, coupled with the elimination of the non-fossil fuel quota, large enough to induce consumers to purchase electricity generated from nuclear power, is one way of doing this.

Moreover, if privatisation does introduce substantial amounts of competition, this nuclear tax should roughly equal the risk-adjusted differences in generation costs of nuclear relative to other fuels.

In the long run the value of this tax is probably the best market-based measure of the true costs of the Government's decision to support nuclear energy. This market-based measure of the cost differential would be lost if the nuclear industry were not privatised.

There is no reason why this tax should be hidden. In the US, the costs of controversial regulatory policies are often included as "line items" on consumers' monthly bills. For example, in many states the cost increases resulting from the direct pass-through of fuel costs appear as a line item called "fuel adjustment costs" on consumers' monthly electricity bills.

Why not require that the amount of tax be shown as a separate item on consumers' electricity bills? Thus, by making very visible the "tax" consumers are paying to support the UK nuclear industry, the efficacy of such a policy could be better debated than if the cost were hidden in a multi-billion pound Government budget which only a handful of people would read.

Finally, consumers' choice and consumption of fuels should be based on a set of prices which reflect not only the private costs but also the environmental and security-related costs. This nuclear tax is one way – albeit imperfect – of doing this.

James G. Hewlett,
2711 Ordway Street NW,
Washington DC 20008,
USA.

Balancing the burden of collecting statistics

From Mr Francis Maude MP.

Sir, It is a pity that Simon Holberton's Lombard column ("False Economy on Statistics", December 15) was so long on assertion and so short on argument.

Given that the collection of statistics imposes a burden on business, it must be right from time to time to question what real need exists for statistical data; then to question how to meet those needs while placing the minimum cost on business. Of course, where the Government needs data, it remains sensible to share this data with business. But where information is needed only by business, is it not reasonable at least to ask whether business itself should collect it? It is disconcerting to find that one cannot even ask such questions without attracting abuse. Lombard does not usually adhere so slavishly to conventional wisdom.

May I, in passing, deal with one specific point? "One trades with the US, not Vermont." Not so. Companies trade with other companies, whether described as being in the UK, the EC, the US or even Vermont. The point I was making was that companies in the US are not prejudiced by having no government-produced information on inter-state commerce.

There may well continue to be a need for the UK Government to have information on intra-EC trade, as I was at pains to stress earlier this month. But that need is emphatically not established by the simple assertion (which I accept) that economic, monetary and political union in the European community are unlikely to occur for some time, if at all.

Francis Maude,
Parliamentary Under Secretary of State for Corporate Affairs,
DTI
1-19 Victoria Street, SW1

FINANCIAL TIMES
Thursday December 22 1988

Italian steel plan wins final EC approval

By David Buchan in Brussels

ITALY'S EC partners yesterday finally let the Rome Government bail out the loss-making Ilva steel company, but West Germany served notice it would block the final one third of the L5113bn ($3.9bn) rescue package in two years' time unless Ilva then makes still further capacity cuts.

Since 1985 an EC member state can only grant most types of aid to a steel company if all of its 11 partners agree. Up to last week West Germany had refused to give its consent to the Ilva rescue package, arguing that the Italian industry had failed to make capacity cuts on the scale that others had, in particular German companies.

Mr Dieter von Wurzen, Bonn's Junior Economic Minister, yesterday agreed to the European Commission's compromise formula that two thirds of the planned Italian state aid could be paid now on condition that the state-owned Ilva, which used to be called Finsider, closes 1.18m tonnes of hot rolled steel-making capacity, and that Rome should apply to Brussels to pay the rest in two years' time.

He made a unilateral declaration to the effect that the Italian Government would not get Bonn's approval in 1990 for the remaining one third of Ecu786m ($919.6m) worth of aid, unless Ilva went on to shut down an extra 1.3m tonnes of capacity in hot rolled coil, plate, sheet and heavy sections.

The clear German target is the politically sensitive Bagnoli mill near Naples, which has an annual capacity of 1.2m tonnes in hot rolled coil.

However, the Commission has the authority, on its own, to approve state aids used for research and development, environmental controls and outright closures in the steel industry. Yesterday it approved a FF143m ($23.8m) French state aid for R & D to Irsid, the French steel industry's research centre, and to Usinor-Sacilor for the same purpose, and a Spanish state aid of Pta40.3bn ($354.2m) to cover the closures of some 30 companies.

Taiwanese burn fingers in US land rush

Pitfalls mar an increasingly popular form of overseas investment, reports **Bob King**

MR DAVID SUN, deputy manager of General Development Corporation of the US, is worried. Despite booming sales of US real estate to cash-rich Taiwanese investors, Mr Sun fears that less-than-professional practices by his Taiwanese agents – plus a marked lack of awareness on the part of his Taiwanese customers – could leave him holding the wrong end of a rather dirty stick.

Mr Sun's problem ironically stems from too much success: his company has already sold more than $100m of prime Florida real estate this year to investors from Taiwan. Moreover, demand for property in the US is increasing as local businessmen, already wary of seriously inflated prices for Taiwanese land and concerned that the Government will soon intervene to dampen speculation, look for investment niches abroad.

Agents for foreign property developers, as well as local representatives of foreign promotional offices, report numerous inquiries from large and not-so-large property brokers abroad. Some are cashing in handsomely: one Arizona-based firm says it sold $10m worth of commercial buildings to investors in Taiwan in the past few months.

But the Taiwan-born Mr Sun, who emigrated to the US several years ago and now holds an American agent's licence, says that his former countrymen are plunging into the US real-estate market with scarcely a thought for the potential pitfalls. Some, he says, are buying because salesmen have promised them immigrant visas and other perks which are impossible under American law.

Most, in fact, have not even seen the land they are buying – which may in any event have already been sold by profit-hungry sales personnel to several other buyers.

> **Most, in fact, have not even seen the land they are buying – which may, in any event, have already been sold by profit-hungry sales personnel to several other buyers.**

The problems that Mr Sun describes typify Taiwan investment abroad after 40 years of foreign exchange controls were lifted in July, 1987. Taiwan residents nowadays may remit up to $5m a year abroad without prior approval from the Government. While some of these remittances go for investment in businesses and joint ventures, an estimated 40 per cent find their way into real estate – and almost three-quarters of that amount is invested in the US.

The Taiwanese typically place their faith in landholdings – and with good reason. Under a land-reform programme begun during the 1950s, large holdings were broken up, the owners received shares in government corporations, and the tillers received the land. When property prices began to soar about a decade ago, land owners were able to sell for handsome profits.

Property transactions in Taiwan are still profitable: the local media reported in early December that prices in urban Taipei have risen as much as 150 per cent since February 1987; in the suburbs, the increase has approached 300 per cent.

But foreign shores have recently proven more attractive as the amount of property in Taiwan available for speculation dwindles and as the Taiwan currency continues to climb against the US dollar. The NT dollar has appreciated more than 40 per cent over the past three years against the greenback.

This rise, while making life tough for Taiwan's exporters, has also meant that quarter-acre plots in such places as Florida – priced at $17,000-$20,000 – are veritable bargains for local investors who would spend that much on a new car without thinking. Easy financing terms – usually 20 per cent down and the rest spread over 12 years – provide additional incentives.

Even the UK has not gone unnoticed by the Taiwanese. Brian Lack & Co, a London developer whose representatives visited Taiwan briefly during November, sold $1m worth of units in an as-yet unbuilt Thames-side block. Buoyed by the response, Lack plans another foray into Taiwan next Spring.

But problems – mostly involving a lack of sophistication by both Taiwanese buyers and local real estate companies, who do the selling for the foreign concerns – are already beginning to crop up to such an extent that the Government is now warning consumers of potential pitfalls.

For example, salesmen – anxious to close deals that will bring them handsome commissions – are promising potential buyers everything from preferential immigration rights in the US to more mundane but still illegal inducements, such as the right to choose their lot allocations and to build any sort of structure they want to upon their land.

Agents, who under Taiwanese law are not required to be licensed or even to have any formal training in their business, have told Taiwanese investors that they will be able to operate Taiwan-style in the US – which means running businesses and even factories out of their dwellings – if they sign on the dotted line.

Such guarantees appeal to the Taiwanese, who are looking for security and a lifestyle comparable to Taiwan's, should the good times end on this island. Unfortunately, cold reality contradicts these expectations.

The US, for instance, does not currently offer investors in American land the right to settle there – although they may obtain visitors' visas to inspect their property. And building codes in most American development communities prohibit the sort of uses some Taiwanese have in mind for their properties.

Mr Sun says that General Development has had to refund money to customers whose contracts contained such clauses. And he worries that, as the mania builds for American land, speculation may leave tracts undeveloped and drive up prices of property to a point that will cause middle-income US residents to start chanting, "Taiwanese, go home."

Way cleared for UK water sell-off

By Andrew Hill in London

BRITAIN's High Court yesterday cleared the way for the country's 10 water authorities to invest in private sector water companies.

The controversial ruling raises the prospect of the authorities vying with French water suppliers for control of statutory water companies in the months before privatisation of the industry in Britain next autumn.

Lord Justice Parker and Mr Justice Henry said in their judgment, which followed a judicial review, that they could see no reason why a water authority should not take control of a water company, subject to ministerial approval and any public inquiry. They said the purchase of water company stakes was not outside the authorities' powers.

The statutory companies supply 25 per cent of the UK's water, within areas covered by the authorities which also handle the treatment of dirty water.

The Water Companies Association, which had initiated the review along with four of the 28 quoted companies it represents, said it was urgently considering an appeal.

Mr Michael Swallow, director of the WCA, said: "We still believe that the intention of the Water Act was to keep water companies and water authorities separate."

The ruling is likely to revive political controversy over the use of public money to buy water stakes. Mr Nicholas Ridley, the Environment Secretary, referred the whole issue to the courts when it arose in June when the Northumbrian Water Authority purchased some small holdings which it has since sold.

Mrs Ann Taylor, opposition Labour Party spokeswoman on the water industry, said the authorities would now be able to use public money to form larger monopolies in preparation for privatisation.

Three French water suppliers have already launched agreed bids for 12 of the 29 private companies and have taken large stakes in six others. One offer has come from a private British contractor, but most of the public authorities have had to stand by while the investment activity has increased, and statutory company stock prices have risen.

Yesterday's ruling could hinder recommended bids by SAUR Water Services, a subsidiary of Bouygues, the French construction and service group, for West Kent and Mid-Sussex water companies, in which Southern has large stakes.

The authority controls further stakes in the area through a co-operation agreement with Associated Insurance Pension Fund, a vehicle for Mr Duncan Saville, an Australian businessman.

Northumbrian may now attempt actively to prevent Lyonnaise des Eaux, another French supplier, from taking over two water companies in north-east England. The first closing date for the Lyonnaise offers was yesterday. If the French company has received insufficient acceptances, Northumbrian may act on its suggestion this month that it would mount a counter-bid for the companies if it were privatised.

EC progress on merger law

Continued from Page 1

to cross-border takeovers. She highlighted the notoriously strict German cartel authorities as a prime target.

"We want to abolish frontier controls for industrial goods. This is the same thing. These are legal barriers," she said.

The merger plan has been deadlocked in one form or another for the past 15 years. It was revived 18 months ago by Mr Sutherland, who promised to take case-by-case action against potentially anti-competitive mergers if member states failed to agree, a threat he has carried out with some force.

The scheme now passes to Mr Leon Brittan, the new Competition Commissioner, who starts work next year. He has vowed to press for an early agreement.

TV guide row likely after Brussels ruling

By Tim Dickson in Brussels

A PROTRACTED legal battle between British and Irish television companies on one hand and the European Commission on the other looks likely after yesterday's decision in Brussels to back recent attempts to publish a comprehensive weekly TV guide in Ireland and Northern Ireland.

The European Commission's ruling challenges restrictions on the release of programme information which have long been practised by the British Broadcasting Corporation (BBC), as well as ITP, the publications company of the UK's independent broadcasters, and RTE, Ireland's state broadcasting group.

These companies withold full programme details until one, or at most two, days before transmission.

The broadcasters maintain that their position was reinforced by recent changes in UK copyright law.

However, the Brussels view – endorsed at a full meeting of Commissioners yesterday – is that current practices are an abuse of a dominant market position under EC competition rules; and that the policy is designed to protect the companies' own top selling weekly publications.

These are Radio Times for the BBC, TV Times for Independent television in Britain and and RTE Guide in Ireland. These do not compete with each other, or with any other guide.

Dr John Thomas, director of BBC magazines said last night that the corporation would appeal against the decision to the European Court of Justice.

The Commission's action follows a complaint from Magill TV Guide, an Irish company which tried to publish details of all the television programmes received by viewers in Ireland and Northern Ireland.

Permission was refused by the three television companies concerned and proceedings for breach of copyright were brought to restrain Magill from going ahead.

In citing its reasons for the decision, the Commission yesterday cited the "substantial potential demand for comprehensive TV guides" which it considers exists in Ireland, and referred to the situation in other EC member states where competition "flourishes."

A senior Community official pointed out that reviews and other "creative" writing could legitimately be covered by copyright, but the times and titles of programmes "should be in the public domain."

Brussels saw no objection to charging royalties or licence fees for such information "but an absolute refusal to supply it is unreasonable."

He added: "We think that train schedules and airline timetables are a fair analogy."

The companies concerned now have two months to submit proposals for supplying advance weekly programming information to each other and third parties.

Any appeal to the European Court of Justice could take more than 12 months to be settled.

Montupet jobs for Belfast

Continued from Page 1

young people in West Belfast hope that they might have a chance of a job.

Mr James Molyneux, Official Unionist party leader, also welcomed the project.

Mr Alisdair MacLaughlin, Confederation of British Industry regional director, said that ultimately many more than 1,000 jobs would be created across the entire community.

Hazel Duffy writes: The estimated 40 per cent of the cost of the project being met by Government aid compares with the around 35 per cent that Nissan is expected to receive towards the first phase of investment in its car plant in the north east of England. It is also a much higher proportion of the total cost than Ford is believed to have negotiated for its Bridgend engine plant in Wales.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	07	45	Malta	F	15	59	Rhodes	T	14	57
Algiers	F	14	57	Edinburgh	C	10	50	Manchester	R	10	50	Rio de J'o	R	37	99
Amsterdam	R	09	48	Faro	S	19	66	Manila	F	30	86	Rome	F	13	55
Athens	R	13	55	Florence	S	09	48	Melbourne	F	19	66	Salzburg	C	02	36
Bahrain	C	24	75	Frankfurt	R	04	39	Mexico City	F	22	72	San Francisco	R	11	52
Bangkok	F	33	91	Funchal	S	18	64	Miami	C	24	75	Seoul	C	02	36
Barcelona	S	11	52	Geneva	C	05	41	Milan	S	07	45	Singapore	R	31	88
Beirut	F	05	41	Gibraltar	S	17	63	Montreal	C	08	46	Stockholm	C	02	35
Belfast	C	09	48	Glasgow	F	11	52	Moscow	C	-2	28	Strasbourg	C	04	39
Belgrade	R	05	41	Guernsey	D	11	52	Munich	F	01	34	Sydney	C	23	73
Berlin	C	05	41	Helsinki	Sn	00	32	Nairobi	C	23	73	Taipei	F	25	77
Biarritz	S	09	48	H. Kong	S	23	73	Naples	F	12	54	Tangier	S	17	63
Bombay	S	31	88	Innsbruck	C	00	32	Nassau	C	26	78	Tel Aviv	C	17	63
Bordeaux	S	09	48	Inverness	C	11	52	New Delhi	F	24	75	Tenerife	S	19	66
Brussels	R	09	48	Islamabad	R	13	55	New York	F	13	55	Tokyo	F	12	54
Budapest	S	00	32	Istanbul	R	08	46	Nice	S	12	54	Toronto	F	12	54
B. Aires	F	26	79	Jakarta	R	30	86	Nicosia	F	17	63	Tunis	F	13	55
Cairo	C	16	61	Jersey	D	11	52	Oporto	S	16	61	Valencia	S	12	54
Cape Town	S	24	75	Jo'burg	F	25	77	Oslo	F	-7	19	Venice	S	05	41
Caracas	C	24	75	Lima	-	-	-	Paris	D	05	41	Vienna	F	03	37
Casablanca	F	16	61	Lisbon	F	13	55	Peking	S	02	36	Warsaw	C	03	37
Chicago	C	13	56	London	C	12	54	Prague	C	01	34	Washington	C	11	52
Cologne	D	06	43	Los Angeles	C	14	57	Reykjavik	Sn	-1	30	Zurich	C	01	34
Copenhagen	C	03	37	Luxembourg	D	03	37								
Corfu	C	12	54	Madrid	F	14	57								
Dallas	S	04	39	Majorca	S	13	55								
Dublin	C	10	50	Malaga	C	16	61								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Paris transport workers end strike

THE STRIKES which have paralysed the Paris public transport system for six weeks ended yesterday when Metro maintenance workers returned to work, the capital's RATP port authority told Reuter in Paris.

The authority said, however, that full service would not be restored on the Metro and suburban RER train network until early January. Laid-up trains would have to be serviced before running again.

The strikes ended the day after the Communist-dominated CGT union showed strongly in RATP works committee elections.

Mr Michel Rocard, the French Prime Minister, who predicted the sequence of events, has accused the Communist Party and the CGT of deliberately prolonging the dispute to win votes.

The union agreed it had helped. "The fact that we supported the maintenance workers' action helped to boost the CGT in the transport authority," a CGT spokesman said.

The CGT failed in its bid to win a FFr1,000 ($166) a month pay rise for the maintenance men.

Mr Rocard ordered in hundreds of military trucks and private coaches to transport Parisians after the strikes paralysed the capital's train and bus services.

The maintenance crews' strike had threatened to disappoint frustrated commuters who had hoped for a respite in the days before Christmas.

New chief for London Transport, Page 6

THE LEX COLUMN

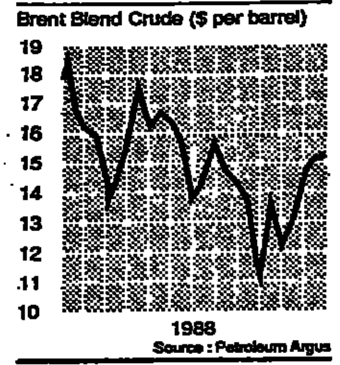
The vanishing oil mystery

The late leap in the oil price to over $18 on Nymex on Tuesday was a good, old-fashioned bear squeeze that said less about the market's hopes for the future than its misreading of the past. The market was evidently unprepared for an Opec agreement last month, and has continued to be surprised by the apparent intention to abide by it. Having got its books the wrong way around, it is now over-reacting in order to set them right.

Still, in the last few weeks the background has genuinely improved, but not by as much as the market thinks. The big excitement is the mysterious evaporation of six months of Opec overproduction, which has yet to show up in oil stocks. However, this does not necessarily mean world demand has been high enough to absorb it. Inventory accounting is notoriously unreliable, and much of the excess is probably still at sea. Even without 125m or so extra barrels of oil in the system, likely Opec production of 19m barrels next month may not be low enough to exert the medicinal squeeze. The oil price may start next year almost as high as it started this; but there is no reason to believe that the troughs in between will not be equally faithfully reproduced.

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

Queensway

It is becoming sadly apparent that Lowndes Queensway, the buy-in vehicle for Sir Phil Harris's carpets and furniture empire, is becoming a textbook case of how leveraged deals can go wrong. Mr James Gulliver and his associates put the £450m deal together in the summer, when interest rates were some 4 per cent lower than today, and while the boom in house prices and housing-related expenditure was still intact. Since then, the disposal programme has gone more slowly than expected, and its main constituent – the £70m sale of the Poundstretcher chain – is unlikely to be completed by the January year end.

It now seems scarcely feasible for the 3p dividend promised at the time of the buy-in to be paid in full. The problem is that as a shell formed for the purpose of the buy-in, Lowndes started life in August with negative net worth and no distributable reserves. Its payout is legally restricted to profits made in the six months to the year end, plus any surplus to fair value realised on disposals. The promised dividend would cost £6.7m, and the rise in rates and slump in the furniture market have surely put paid to that.

Some of the problems have been specific to the company: the poor stock control inherited from the old days, the failure to cap interest costs until the arrival of a new finance director in September, and – oddest of all – the failure to tie the wily Sir Phil to an agreement to stay out of the business. As a result, the previous owner has not only set up in competition, but appears to have regained the services of some of his old staff. At 46.5p – compared with 100p on first quotation – the shares seem to have taken account of events to date; what they do not reflect is some of the gloomier forecasts around for trading in the following year.

Water authorities

The spirited fight which the independent water companies have been waging to prevent themselves being taken over by the bigger UK water authorities has a lot more to do with preserving jobs than with promoting competition. Yesterday's High Court ruling has gone some way towards levelling the playing field in one of the country's most financially antiquated industries. Presumably the decision clears the way for the more aggressive authorities, like Southern and Northumbrian, to begin competing with the French water companies, so even in the cases where there are agreed bids on the table, investors should wait and see whether a rival bid emerges.

Although there have been a dozen agreed bids to date, 11 of these have come from a handful of French companies. Apart from them, no one really has any idea how to value a UK water company, so the participation of the water authorities should give some fresh clues. There are those who argue that the French companies can never hope to earn a decent return on the money they have spent so far. On the other hand, there are definite economies of scale if a water authority takes over a neighbouring water company, and these are likely to be worth far more to a water authority than an outside investor. The big surprise is that more predators have not spotted this before.

NEI/Rolls Royce

The month of friendly talks between NEI and Rolls Royce may have come to nothing, but that does not mean that the whole thing can be forgotten about. Yesterday's statement was pointedly silent about Rolls' intentions, and it is quite possible that the next step will be a hostile offer – a fact which yesterday's 15.5p fall in the shares seemed to overlook. But even if Rolls does not wish to proceed, it should have little difficultly in selling its stake at a profit. While NEI only makes sense to Rolls as a way of diversifying away from aero-engines and the US dollar, to any of the European heavies the fit would be much more direct: NEI would help them win British orders for private power stations, involving a capital outlay of barely £300m. In any case, the whole industry is becoming increasingly concentrated, with weaker companies being absorbed by those better able to put their own capital into major projects, so that eventually NEI is bound to conform.

Ocean Transport

It is hard to fault Ocean Transport's decision to bail out of its Barber Blue Sea shipping venture, even though it means taking a £26m extraordinary loss. As a minority partner in a fiercely competitive business on the other side of the world, Ocean had no effective management control and a nasty exposure to exchange rates. While the company has paid a hefty price for extricating itself, its gearing falls from 30 per cent to 20 per cent and profits should benefit by close to £3m next year. One hopes this is the last skeleton to fall out of Ocean's cupboard of ill-fated shipping ventures, but given the company's dismal performance over the last decade the management has no room for any further mistakes.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 22 1988

هكذا من الأصل

INSIDE

Cash and cabins in the backwoods

UNION CARBIDE

Out in the Connecticut woods is the vast headquarters of Union Carbide. A spooky place, its corridors stretch a quarter of a mile and are deserted: Employees complain of cabin fever, of the indistinguishable woods that crowd every window. Since 1978, when Carbide started building this great edifice, the chemicals group has got smaller and unluckier every year. But this year, to Wall Street's great surprise, Carbide is making money. Real money. It has doubled profits from its cyclical chemicals and plastics business, seen good demand for industrial gases and brought its troubled carbon products operation into the black. James Buchan reports Page 21

BOM Holdings in £16m cash call

At 9am tomorrow, in London's New Connaught Rooms, a fresh chapter will be opened in one of UK stock market's most colourful legends. BOM Holdings, penny stock and perennial lossmaker, is asking its shareholders to approve a £16m rights issue. The occasion marks the efforts of the drilling contractor turned leather furniture retailer to move full circle by heading further into the volatile world of oil exploration. The venture may well spark some cynicism. Even among penny shares, BOM is infamous for the frequency with which past optimism has been dashed. Page 24

Eyes fixed on bond horizons

BOND MARKET

Is the Japanese bond market about to go on another big speculative rally? This is the question occupying the minds of investors, many of whom are licking their wounds after last summer's unexpected rout. The market has already recovered substantially since the summer, as yields on the former benchmark 105th issue have plunged from 5.490 in September to 4.455 earlier this month. However, many analysts believe there is still more to go for. Page 23

The bourses that came in from the cold

Nordic bourses have had a relatively glorious year. Stockholm is at an all-time high and Copenhagen has experienced a resurgence of foreign interest. Helsinki, however, has seen its rally begin to peter out in recent months, while Oslo is belatedly making a strong end to a year spent in the doldrums. Robert Taylor analyses the performances and looks ahead to what could be a buoyant 1989. Page 38

Bad meat provokes enquiries

Reports that contaminated meat destined for processing into hamburgers has been regularly sent to the UK from the Republic of Ireland have prompted the governments of both countries to launch enquiries. The incident has embarassed the UK Government, already dealing with a crisis over domestic egg production. Mr John MacGregor, Agriculture Minister, told the House of Commons yesterday that the contaminated meat, which one official said "should never have left the slaughterhouse," had not entered the human food chain. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Falls				Rises			
Bayerische Ver.	354	-	9	Cap Gemini Sog	2470	+	165
BMW	517.5	-	7.5	Euromarche	2520	+	158
Lufthansa	145	-	2.5	Geophysique	513	+	43
Man Masch.	244	-	8.5	Falls			
Mannesmann	213.5	-	4.5	Electro-Financ.	826	-	36
Volkswagenwerk	237.5	-	5	Gaz et Eau	1813	-	64
				Telemecanique	3818	-	138

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Amerada Hess	30⅝	+	⅜	Japan Sec. Fin.	1590	+	150
Cummins Engines	56⅛	+	4⅞	Taka-Q	2500	+	200
Falls				Nippon Yak. Kog	1430	+	80
Bell Bec. & Hew	10½	-	2⅞	Falls			
Fruehauf	2⅞	-	2⅞	Shin Nip. Mach.	1270	-	150
Honeywell	57⅞	-	2¼	Mitsubishi Oak.	925	-	58
Shearson L.H.	19	-	⅞	Showa Mfg.	1130	-	70

New York Prices as at 12.30pm.

LONDON (Pence)							
Rises				Fisons	236½	-	4½
Bejam	376	+	8½	Grand Met.	420½	-	3½
BICC	56	+	5	Greycoat Props	393	-	7
Bestwood	195	+	10	Guinness	334	-	4
Carnford Eng.	124	+	9	Ind City Hldgs	81	-	11
Chrysalis	227	+	7	IMI	111	-	15½
Hambros	300	+	8	Pilkington	469	-	30
Kalamazoo	420	+	8	Speyhawk	288	-	9
LASMO	420	+	15	Utd Newspapers	379	-	5
Sutar	204	+	9	Yale & Valor	314	-	9
Ultramar	288	+	9				
Uoigate	315	+	15½				
Falls							

BA defeated in bid for Air New Zealand

By Dai Hayward in Wellington and Michael Donne in London

A CONSORTIUM including Qantas, the Australian airline, has beaten British Airways in its bid to win a stake in Air New Zealand, the state-owned airline offered for sale by the New Zealand Government.

The winning consortium also involves the New Zealand investment group Brierley Investments, headed by Sir Ronald Brierley, American Airlines and Japan Air Lines. It is paying NZ$660m ($413m) for Air New Zealand, well below the NZ$1bn that aviation commentators had been predicting.

Qantas will take 19.9 per cent of the airline, with American Airlines and JAL each having about 7.5 per cent.

The New Zealand Government has restricted foreign airlines to holding 35 per cent of the company and the remaining 65 per cent will initially be held by Brierley Investments. Of that, 30 per cent will be offered to the New Zealand public and the airline's staff, leaving Brierley with a 35 per cent stake.

The deal gives the New Zealand-Australian-US-Japanese group a powerful position in the Pacific Basin, which must be of considerable concern to other operators, not least BA.

A week ago, Qantas was predicting that it would boost Air New Zealand's profit by NZ$50m a year if it was successful with its bid. In the last financial year the New Zealand company posted a pre-tax profit of NZ$68.7m and forecast a NZ$75m pre-tax profit this year.

Qantas claimed the extra profit would come from increased tourist traffic from Japan and other Asian markets. It also warned that if the company was sold to British Airways co-operation between the Australian and New Zealand airlines would suffer.

Yesterday, British Airways in London only expressed its "disappointment" at the New Zealand Government's decision. But clearly it now has to restructure its pattern of airline relationships throughout the Far East and South-East Asian areas to take account of what will become formidable competition from the new consortium.

Other major airlines, such as Singapore Airlines, Malaysian Airlines, Cathay Pacific of Hong Kong and Thai International of Thailand will be obliged to do the same.

● In a second asset sale announced yesterday the New Zealand Government has sold Postbank – which was created from the former Post Office Savings Bank – to the Australian-based Australia & New Zealand Bank for NZ$665m. The price was substantially higher than expected and reflects ANZ's drive to increase its market share of the New Zealand retail banking sector.

In just over a year Postbank has been transformed from a cumbersome loss-making banking operation to a profitable bank which made an after tax profit of more than NZ$68m in its first year of operations.

The Government has decided not to sell the State-owned Bank of New Zealand at the present time because the best bid for the bank was not high enough.

Rolls-Royce and NEI call off merger talks

By Nick Garnett in London

ROLLS-ROYCE, the UK aero engine maker, and Northern Engineering Industries, the power station equipment and general engineering group, announced yesterday that they had called off talks on a possible merger.

In a joint statement, the two companies said they had not been able to agree terms on which to establish further relationships.

NEI's shares dropped 15p to close at 111p on news that the talks had been discontinued, while Rolls' closed at 128¾p, down ¼p.

Rolls, which had precipitated the discussions by secretly taking a 4.7 per cent stake in NEI in November, said yesterday that the stumbling block was price. "The price gap between the two of us was unbridgeable," it said.

City analysts said that on the basis of their profits forecasts a bid at 135p a share would have diluted Rolls' earnings by 7 per cent, and at 150p a share by 10 per cent.

During the discussions, some senior NEI managers had begun to look favourably on the benefits of a merger. NEI declined to comment further yesterday.

Rolls, which is chaired by Sir Francis Tombs, said it would address "in due course" what it would do with its stake in NEI. It was not a large investment and gave the company a satisfactory investment, Rolls added.

Some City analysts suggested Rolls might decide to mount a hostile bid, but the company said yesterday that it would not do this.

Rolls is known to be looking at the possibility of acquiring companies in Europe and North America, particularly in new materials and production processing areas.

One of the reasons for approaching NEI was Rolls' need to reduce its dependency on aero engines, which account for 80 per cent of its turnover. Rolls had just 12 per cent of the Western world's jet engine sales last year.

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GM achieves record production in Europe

By Kevin Done in London

GENERAL Motors, the US automotive group, has increased its European vehicle production in 1988 by 5 per cent to 1.424m units, a record level, the company said yesterday.

Car production was 4.2 per cent higher at 1.387m units, while output of light commercial vehicles rose by 55 per cent to 37,600 units.

Sales of GM's European-produced Opel and Vauxhall cars has risen by 3 per cent to 1.35m units, supported by record demand in the European new car market. Opel is the market leader in the Netherlands, Belgium, Switzerland and Denmark.

Although Opel/Vauxhall car sales are at a record level, GM has not kept pace with the overall growth in the market, which has risen by more than 4 per cent, and as a result its overall market share has slipped slightly to around 10.4 per cent from 10.6 per cent a year ago.

It is in fifth place among the big six volume car makers in Europe behind Volkswagen, Fiat, Peugeot and Ford.

GM Europe refused to disclose any profit forecast for 1988, but Mr Robert Eaton, president of General Motors Europe, said that profits had "continued their positive trend".

General Motors' European operations last year staged a dramatic financial turnround with a record net profit of $1.25bn following seven years in which it ran up total net losses of $2.2bn.

According to financial analysts net profits could total more than $1.5bn in 1988.

Mr Eaton said that GM Europe expected to "at least maintain production levels" in 1989 and would increase its share of the European new car market helped by strong demand for its recently launched Opel Vectra/Vauxhall Cavalier saloon and hatchback range.

Sales and orders for the Vectra/Cavalier had exceeded 100,000 units in the first two months.

GM, which already has vehicle production facilities in West Germany, Belgium, the UK, Spain and Portugal, said that it is to set up a small assembly plant for the production of the Vectra/Cavalier in Turkey.

The plant, which will cost around DM18m ($10.2m), will have a capacity for producing up to 10,000 Vectra cars a year, although initial output starting in 1990 is expected to total only 3,500 units a year. The car will be powered by a 1.6 litre engine and will be assembled from components supplied by Adam Opel, GM's West German subsidiary.

GM said that it was planning to sell around 10,000 European-produced cars in Japan in 1989 following the signing earlier this year of a distribution agreement between Opel and Isuzu, GM's Japanese affiliate. Opel will sell Vectra, Omega and Senator models through Isuzu's Japanese dealer network.

Japanese links on Wall Street

Japanese companies	Wall Street companies	Stake (%)	Investment value ($m)
Nippon Life	Shearson Lehman Hutton	13	538
Sumitomo Bank	Goldman Sachs	12.5	500
Yasuda Life	PaineWebber	18	300
Mergers and acquisition specialists			
Industrial Bank of Japan	Schroder	95	—
Long Term Credit Bank	Peers	20	—
Nikko Securities	Blackstone	20	100*
Nomura Securities	Wasserstein Perella	20	100
Yamaichi Securities	Lodestar Group	Management agreement	

* Has also placed $100m in a fund run by Blackstone

Speeding down Wall Street

Stefan Wagstyl examines Nikko's $100m deal with Blackstone

Nikko Securities' $100m acquisition last week of a stake in Blackstone Group, a Wall Street corporate finance specialist, is a bold move for a company with a reputation for being slow in developing its overseas operations.

Success would help Nikko win back ground it has lost to other Big-Four Japanese brokers, including Yamaichi Securities, the fourth placed house, which almost captured Nikko's number three position last year.

Nikko's move is also a challenge to rival companies in the fast-growing market for Japanese overseas acquisitions which could total $14bn this year.

In the third tie-up of 1988 between a top Japanese securities company and a Wall Street boutique (specialist firm), Nikko is buying 20 per cent of Blackstone, a partnership headed by two former top executives of Lehman Brothers, the investment bank which was later absorbed into Shearson Lehman.

The relationship between the two groups dates back to October 1987 when Nikko put $100m into an acquisitions fund managed by Blackstone. But the possibility of an investment in Blackstone itself was in the minds of Nikko managers from the beginning. Mr Yasuo Kanzaki, vice president, says: "This is a typically Japanese deal." First Nikko got to know Blackstone and then committed itself to an investment, he says.

The main attraction of Blackstone for Nikko, as with previous acquisitions by Japanese companies of stakes in Wall Street houses, is its expertise. Mr Peter Peterson, Blackstone's chairman, is ex-chairman of Lehman Brothers and a former US Commerce Secretary. Mr Stephen Schwarzmann, the president, used to head Lehman Brothers' mergers and acquisitions (M&A) team.

The boutique was particularly appealing to a Japanese financial group because Mr Peterson has long-standing links with Japan and because Blackstone offers advice only on friendly takeovers. So it is well-suited to advising Japanese companies, which steer clear of hostile bids.

It has been involved in two of the largest acquisitions in the US made by Japanese companies – Sony's acquisition of CBS Records for $2bn and Bridgestone's purchase of Firestone Tires for $2.6bn.

Mr Kanzaki says Nikko considered building an in-house M&A team but decided this would prove too expensive. The group had to have a presence in M&A in order to provide corporate clients with a service that they need.

The arguments mirror the reasons given by Nomura Securities, largest of the Big Four Japanese houses, when it invested $100m this summer in Wasserstein Perella, another M&A specialist. But unlike Nomura, Nikko has no immediate plans for exploiting its partner's expertise in the Japanese domestic market. Nomura almost immediately established Nomura Wasserstein Perella (NWP), a subsidiary in Tokyo.

As with NWP, Nikko's deal with Blackstone begs the question of how a Japanese broker with an army of employees dedicated to selling stocks and bonds will work in harness with a Wall Street house, whose principals left a large company and set up shop on their own, partly because they wanted to be their own bosses. Nikko has 8,600 staff against Blackstone's 60.

The answer is that Nikko will probably keep relations at arm's length. Nikko has sent an employee for training at Blackstone and plans to send two more. A senior manager will follow, but decision making at Blackstone seems bound to stay in the hands of the American partners.

As a private partnership Blackstone publishes no financial results. It was formed in 1985 and has advised on deals worth more than $15bn. But it is a business that is only as good as its next deal and the profits that come from it.

If Nikko is to succeed, it will have to learn from the mistakes it has made in the past in managing its foreign operations. All the Big Four Japanese securities houses have had mixed results abroad.

Nikko's record overseas, in relative terms, is bad. In the year to September 1987, it ranked third among the Big Four with consolidated pre-tax profits of Y289bn ($2.3bn). But in foreign profits it was well behind the rest – with just 11 per cent of the Big Four's total against 19 per cent for Daiwa, 20 per cent for Yamaichi and 50 per cent for Nomura. (Nikko says accounting differences understate its performance.)

The consolidated results for the year to September 1988 have not been published, but Nikko is not expected to have leapt up the table. In New York, the 300-employee operation made an as yet undisclosed loss. Mr Kanzaki says that the bond trading operations (Nikko is a primary dealer in US government securities) moved into profit at the end of the period.

A big question mark, however, hangs over the equity business. Already some traders have been reassigned to analysing the US operations of Japanese companies.

Nikko says it is taking a patient approach to its foreign businesses. "But I am questioning the outlook for the US equity market very seriously," says Mr Kanzaki.

Nikko's reputation overseas has not been helped by its recent performance at home. The Big Four have had a difficult year handling their bond portfolios because of unexpected swings in prices. But Nikko's bond dealing losses of Y24.4bn were the largest and pushed down total parent company pre-tax profits for the year to September to Y149bn, just above Yamaichi's at Y143bn. Equally seriously, Nikko's share of turnover on the Tokyo Stock Exchange slipped below Yamaichi's during the year.

Also the group ran into criticism for its handling of the flotation of Mitsubishi Motors Corporation (MMC), the biggest private stock sale since the Second World War. Nikko was accused of unfairly distributing shares to favoured clients at the expense of other would-be investors.

However, none of this should obscure the fact that Nikko – like all the Big Four – is potentially an enormously powerful international competitor. Total revenues in the year to September were $3.4bn, and total assets $20.7bn. Moreover, the company could soon start being faster on its feet than in the past – in August eight directors left the group to make way for younger men, in a conscious effort to rejuvenate top management.

Meanwhile, as far as the M&A market is concerned, the deal between Nikko and Blackstone means that competition will get tougher. Among Japan's Big Four brokers, three have tie-ups with Wall Street firms.

Several Japanese banks have developed active in-house M&A teams – including Industrial Bank of Japan, Long-Term Credit Bank, Sanwa Bank and Sumitomo Bank.

Sanwa Bank estimates that Japanese acquisitions in the first half of 1988 totalled $7bn, against $4bn in the whole of 1987. The total for 1988 could be $14bn, says the bank.

These figures alone explain why financial companies have been so keen to get into the market. But Mr Yoshiharu Senoue, joint head of M&A at Sanwa, says Japanese interest in foreign acquisitions could prove cyclical. "They are buying while the yen is strong."

Moreover, even in the good times, the rewards are not evenly divided. The fees earned by US houses dwarf those of the Japanese

It is a share of those lucrative finders' fees that Nikko hopes to get from Blackstone.

Iceland claims 43% of Bejam

By Clare Pearson in London

ICELAND Frozen Foods' £234m hostile offer for Bejam looked last night to be drawing to a tight finish as the company announced it had obtained acceptances covering 43 per cent of Bejam's shares.

With Iceland's partial cash alternative closed as from 1pm yesterday, the fate of the Stanmore-based frozen foods retailer now hangs on whether Iceland can trawl in the crucial extra acceptances to its all-share offer during the difficult Christmas period. It has extended the offer to 1pm tomorrow and could, if necessary, keep the bid running until December 30.

Yesterday Mr Malcolm Walker, Iceland's chairman, said; "The Christmas post means acceptances are taking upwards of four days to arrive. We are therefore encouraged by this level, and confident of victory."

He pointed out that Iceland had obtained acceptances from 60 per cent of Bejam's shareholders excluding the holdings of Mr John Apthorp, its founder, who owns 30 per cent of Bejam's shares, and others who had said they would not accept the offer.

Acceptances valid in all respects had by last night been received in respect of 51.35m shares or 40.73 per cent of the issued share capital not owned by Iceland. Incomplete acceptances had been received in respect of 19.37m.

Correction

County NatWest

Yesterday's FT printed a photograph of Sir Charles Villiers, the former chairman of British Steel, wrongly identifying him as being connected with County NatWest.

Fruehauf restructures as partial buy-out takes toll

By Roderick Oram in New York

FRUEHAUF, the world's largest maker of truck trailers, is to restructure its debt and operations in the latest round of its two-year struggle to survive the aftermath of a partial leveraged buy-out.

The company will also keep trying to sell all or parts of itself, including its Kelsey-Hayes vehicle components subsidiary which is its only profitable business and accounts for half its $2bn annual sales.

Fruehauf came close to a takeover this autumn by Varity but the Canadian farm equipment maker backed off at the last moment. Failure to find buyers so far prompted the latest restructuring because of Fruehauf's deteriorating financial performance.

Fruehauf lost $46.3m or $5.11 a share in the first nine months of this year, compared with a loss of $35.4m or $5.13 a year earlier. Sales were $1.54bn against $1.5bn. Crucially, cash flow covered only 90 per cent of its interest payments in the third quarter, whereas a year earlier it covered payments 1.2 times.

To reduce its interest payments, it said yesterday it will exchange $510m of its existing senior subordinated notes and debentures for a package of discount and subordinated debentures plus seven class B shares. The shares fell ⅝ to $2¾ after the news.

The Detroit-based company said it will undertake also a "systematic overhaul" of its trailer business. The LBO prospectus had estimated the division would earn $99m this year, but analysts say it lost $11m in the first half, hit by rising raw material prices and industry over-capacity. Its market share has fallen from 25 per cent to 18 per cent since the buy-out.

Kelsey-Hayes, in contrast, is benefiting from strong sales of anti-lock braking systems, aluminium wheels and electronic sensors. Operating profits rose 10 per cent last year to $53m. The only other operation left after two years of asset sales is a small maritime equipment maker.

The company took on $1.5bn of debt in 1986 to pay for a recapitalisation that foiled a takeover attempt by Mr Asher Edelman, the corporate raider. The partial LBO was devised by Merrill Lynch which ended up with a 31 per cent equity stake in Fruehauf after the deal failed to meet the criteria of the investment bank's own LBO fund.

Since the recap, Fruehauf reduced its debt to $705m by this September. In the process it sold $855m of assets and cut its workforce by nearly 40 per cent.

Daimler's board backs MBB move

By Our Financial Staff

THE SUPERVISORY board of Daimler-Benz yesterday gave the go-ahead for the company to take a stake in Messerschmitt-Boelkow-Blohm (MBB), the West German aerospace group, said Mr Alfred Herrhausen, Daimler's supervisory board chairman.

He said the board also approved a compromise solution to the problem of balancing the losses from MBB's stake in Airbus Industrie with the profits from its military division. However, no details were revealed.

The demand for the balancing of MBB's profits and losses made by the junior coalition party Free Democrats (FDP) had been rejected by Daimler.

Chancellor Helmut Kohl's centre-right coalition government has been involved in the negotiations over MBB because the regional states of Bavaria, Hamburg and Bremen own about 52 per cent of the Munich-based aerospace group.

Mr Herrhausen did not specify the stake Daimler would take in MBB. The company has previously said it aimed for an initial stake of up to 30 per cent, with an option to increase its stake to 51 per cent later.

Enimont forecasts L1,050bn profit

By Alan Friedman in Milan

ENIMONT, the new Italian joint venture chemicals company that will result from the merger of the state-owned Enichem and the bulk of Montedison's private sector activities, is predicting a 1989 full-year net profit of L1,050bn ($804m) on revenues of L13,300bn.

Mr Lorenzo Necci, the Enichem chief who has been named to chair Enimont, and Mr Sergio Cragnotti, an executive of Mr Raul Gardini's Ferruzzi-Montedison group who will become Enimont's managing director in the New Year, yesterday held a gala press conference in Milan to launch the new venture. They made detailed projections of the new company's operating margins, net profits and revenues for 1989, 1990 and 1991.

With a degree of precision rarely seen in Italian finance and industry, Enimont's new leaders felt able to predict not only next year's results but also 1990 net profits of L1,200bn on L13,800bn of turnover and L1,700bn net income in 1991 on L14,900bn of revenues.

The new company, Mr Necci said, will work to reverse Italy's L8,000bn trade deficit in the chemicals sector. Enimont will start with L6,100bn in debts, of which L3,800bn will come from Montedison's balance sheet. The initial net equity of Enimont will rise to L5,300bn by the end of 1989.

To work off debt, Montedison and Enichem have agreed that for the first three years Enimont will not pay its two partners any dividends and will build up a "fund" of up to L2,000bn, to be ploughed back into the business.

There will also be an attempt to rationalise overlapping activities. Mr Necci yesterday disclosed that between 4,000 and 5,000 of Enimont's 50,000 workers may face redundancy for "reasons of efficiency."

Enimont also said it will seek a quotation on the Milan bourse "as soon as possible." The venture will begin life as a 50-50 partnership between its founders but up to 20 per cent of Enimont stock is expected to be placed with outside institutions.

Mr Necci added he was open to the prospect of a joint venture in the artifical fibres sector between Enimont and SNIA-BPD, the Fiat group's chemicals, textiles and munitions company.

Enimont will have 70 plants, of which nine will be abroad.

The debt reduction plan calls for the L6,100bn initial burden to decline to L4,700bn by the end of next year, to L4,050bn by 1990 and to L2,900bn by the end of 1991. Total assets of Enimont will be L10,000bn.

New chief at Banco di Roma

By Alan Friedman

MR ANTONIO Zurzolo, the respected director-general of IRI, the big Italian state holding group, was yesterday named the new chairman of the Banco di Roma, the smallest and least profitable of IRI's three commercial banks.

In a separate development Mr Roberto D'Alessandro, who for the past five years has presided over the Port of Genoa and engineered a turnround there, has been named the new chairman of Agusta, the helicopter company which is part of the EFIM state holding concern.

Mr Zurzolo, 65, who has been the IRI group's director-general since 1979, has worked closely in recent years with Professor Romano Prodi, IRI chairman. Mr Zurzolo is to succeed Mr Romeo Dalla Chiesa, the chairman since 1983 of Banco di Roma

Banco di Roma needs to be recapitalised and already there has been talk of possibly merging it with one or more of its sister banks in the IRI group, Banca Commerciale Italiana and Credito Italiano.

At Agusta, the 53-year-old Mr D'Alessandro, who is close to the Socialist Party of former Premier Bettino Craxi, takes over a month after the surprise resignation of Mr Raffaello Teti.

Mr Teti, in a most unusual move by a manager in Italian state industry, resigned because of what he termed political interference in the company's affairs. Agusta, which has collaborated with Britain's Westland Helicopters on the EH-101 project, went from losses of L121bn to a profit last year of L30bn during Mr Teti's five-year tenure.

Honeywell forecasts $400m loss for 1988

By Roderick Oram in New York

HONEYWELL, the US manufacturer of electronic controls and military equipment, will report a net loss for 1988 that could exceed $400m because of substantial write-offs, restructuring charges and additional tax payments.

The announcement was the latest in a series of setbacks this year for the Minneapolis company. Earlier announcements about large write-offs on military contracts, the planned disposal of four divisions, and bad third-quarter profits have left shareholders deeply disenchanted.

The company also said that Mr James Renier, president and chief executive, will replace Mr Edson Spenser as chairman. Mr Spenser will remain on the board.

The fourth-quarter charges will include a provision of more than $300m for additional taxes reflecting a variety of accounting factors. The write-offs will cover the restructuring of Honeywell's semiconductor business and cost cutting measures such as staff reductions, consolidation of research and development efforts and rationalisation of manufacturing plant.

Last year the company earned net profits of $253.7m on revenues of $6.68bn. In this year's third quarter it incurred a loss of $22.2m against a profit of $69.6m a year earlier.

Recovery at Malaysian media group

By Wong Sulong in Kuala Lumpur

NEW STRAITS TIMES, Malaysia's largest newspaper publishing group, has reversed three years of falling profits, to report a 61 per cent increase in pre-tax profits to 43.7m ringgit (US$16.4m) for the year ended August.

Turnover rose by nearly 30 per cent to 222m ringgit. Profit after tax was 111 per cent higher, at 25.2m ringgit.

The group benefitted from higher advertising revenue and the five-month closure of its main rival, the Star newspaper, by the Government in October 1987.

NST's 49.9 per cent-owned Sistem Television Malaysia, operator of TV3, recorded a 31 per cent increase in pre-tax profits to 22.1m ringgit on turnover of 74m ringgit.

NST said it expects to maintain its turnover for the current year, but expressed caution over newsprint prices and exchange rates.

It is paying a final dividend of 10 cents, making a total of 18 cents for the year, up one cent.

Poseidon to merge with Freeport Australian unit

By Kenneth Gooding, Mining Correspondent

POSEIDON, the cash-rich Australian mining company, is to merge its operations with Freeport McMoRan Australia, owned 62.5 per cent by the New Orleans-based natural resources group.

An announcement about the deal, said to have been under discussion since September, came only one day after TNT, the Australian transport group, launched a A$377m ($322m) bid for Poseidon to counter one from Normandy Resources.

Normandy is controlled by Mr Robert Champion de Crespigny, also Poseidon's chairman and largest shareholder with 20.6 per cent. TNT's bid was widely interpreted in Australia as "greenmail" as it was thought that TNT hoped to extract a higher offer from Normandy to make a quick profit.

The other major shareholder in Poseidon is Anglo American Corporation of South Africa, which in August sold its Australian operations to Mr de Crespigny's company in exchange for an 11 per cent shareholding.

Mr de Crespigny said yesterday that the merger of Poseidon with Freeport McMoRan Australia would boost his company's gold production, bring it an interest in diamonds and provide a focus for exploration through a broad portfolio of gold and diamond prospects.

If approved, the merger would result in Poseidon owning 75 per cent of the Karonie gold mine and 80 per cent of the Bow River diamond mine, Freeport Australia's two producing operations.

Normandy would have 16 per cent of the enlarged Poseidon, US Freeport 12 per cent, other Freeport Australia shareholders 7 per cent and other current Poseidon shareholders 65 per cent.

US Freeport would seek approval from the Australian authorities to lift its shareholding gradually to a maximum 20 per cent.

Freeport Australian Minerals, Freeport Australia's exploration subsidiary, would be expanded, renamed Pos Ex, and be separately listed.

Sugar refiner doubles income

By Hilary Barnes and Xueling Lin in Copenhagen

DE DANSKE Sukkerfabrikker, the Danish sugar refiner, doubled first half earnings and predicted a "substantial" improvement in earnings for the full year.

In the half year up to November, profits before extraordinary items and tax rose from DKr86m to DKr257m ($37.4m).

Turnover rose 22 per cent to DKr3.8bn, reflecting the acquisition of Grenaa Paper Mill with a half-year turnover of DKr295m. Second-half earnings are expected to be higher than those of the first half, said the interim statement.

Profits before extraordinary items and tax in 1987-88 were DKr446m and net profits DKr266m.

Leaf moves to protect profits

By Olli Virtanen in Helsinki

LEAF, the confectionery division of Huhtamaki, the Finnish foods, pharmaceuticals and packaging group, has announced a major reorganisation in North America combining acquisitions, asset sales and job cuts in an attempt to stem a decline in profits.

Leaf had total sales of FM1.8bn ($431m) last year, of which operations in the US accounted for 70 per cent, and pre-tax profits of FM62m.

This year sales will total FM2.3bn. However, profitability in the US will "deteriorate considerably" while the European operations are expected to "perform better" than in 1987.

The restrucuturing moves, says Mr Keijo Suila, chief executive of Leaf, are designed to cut costs and achieve a more brand-orientated product mix.

The acquisitions include the 51 per cent which Leaf does not already own of L.S. Heath & Sons, a confectionery company producing Heath English Toffee bars and ice cream flavourings in Robinson, Illinois.

Leaf will also purchase a chewing gum unit based in Amherst, Nova Scotia from Hershey Foods. The deal includes brand names such as Bubble Yum and Carefree chewing gums as well as Bonkers chewy candy.

Meanwhile Leaf has put two plants near New York up for sale along with their product lines. It also aims to divest its US frozen candy products and production equipment.

● Kymmene, Finland's leading forest products company, will sell three hydro power stations to Elake-Varma, a Finnish insurance company, for FM672m ($165m).

The proceeds of the sale, which comes into effect at the beginning of 1989, will be used to finance future investments. Kymmene will continue to use electricity from the power stations and it retains an option to buy them back after 12 years.

INTL COMPANIES AND FINANCE

Fortune smiles at last on reshaped Union Carbide

James Buchan examines the US group's revival

Out in the Connecticut woods is a big, low, aluminium building that is the headquarters of Union Carbide. It is a spooky place. Corridors that stretch a quarter of a mile are deserted. A cluster of busy offices gives way to rows of closed doors. Some Carbide people complain of cabin fever, of the indistinguishable woods that crowd every window.

Since 1978, when Carbide started building this giant, the chemicals group has got smaller and unluckier every year. It has been driven out of the European chemicals market, lost its No 2 position in the US chemicals industry to Dow Chemical, suffered the world's most catastrophic industrial accident, just squeaked out of a humiliating takeover, sold its best business and plunged into debt.

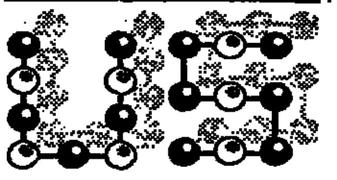
But this year, to its own and Wall Street's surprise, Carbide is making money. Real money. It has doubled profits from its cyclical chemicals and plastics business, seen good demand for industrial gases and brought its troubled carbon products operation into the black.

"Our earnings have improved far better than the industry as a whole," said Mr Paul Kennedy, Carbide's burly chairman, in a recent interview. Carbide's 1988 earnings should be up to $700m, the best result since the glory days of the mid-1970s.

Mr Kennedy, who took over as chief executive in 1986, now wants to spend these profits to consolidate the company's strong position in ethylene and various derivatives, key raw materials for plastics, anti-freeze and fibres that are currently in strong demand. In a series of announcements that have startled the industry and Wall Street, Mr Kennedy says he will spend $600m to add:

- 500m lb of ethylene capacity by starting up a mothballed plant in Louisiana next year
- 500m lb of polyethylene capacity at a plant in Texas by next year
- 1.2bn lb of ethylene oxide capacity over the next few years, and
- 1bn lb of capacity for the synthetic rubber polymers known as flexomers and elastomers.

Mr Kennedy, 56, also wants to shake up the notoriously bureaucratic company he has



Chemical industry

served for 33 years. He speculates about taking Carbide back into products and markets it quit. And he wants to reshape the three main businesses into free-standing worldwide units – with a view possibly to spinning them off to shareholders.

"We've been a conglomerate for 70 years," he says. "I think the businesses should be free to focus on their external markets, not to compete internally for resources and attention."

Will Paul Kennedy reverse Carbide's fortunes?

Wall Street and the US chemicals industry just cannot decide. On one side are reluctant converts such as Mr Leonard Bogner, a leading industry analyst at the Wall Street firm of Prudential-Bache, who wrote in October: "We cannot ignore the fact that the favourable chemical cycle has caught up with Carbide."

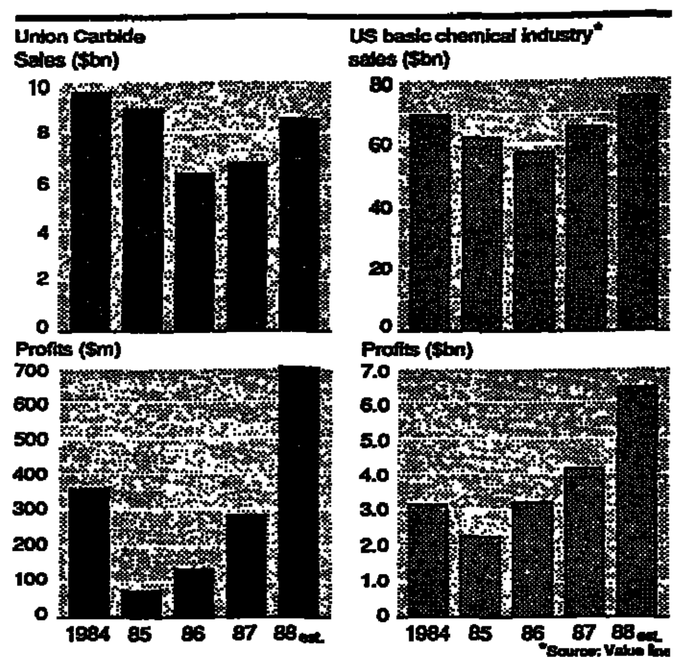
Carbide's supporters say the company had not lost its great tradition of innovation, which goes back to synthetic ethylene and, more recently, the much-licensed Unipol process for making polyethylene, polypropylene and ethylene/propylene rubbers.

Carbide is also a leader in industrial gas technology according to Mr Paul Weitz of Technology Catalysts, a consulting firm. Carbide's gas division, the biggest US producer with sales of about $2bn, is seen as a stable and valuable business which can more than hold its own in a world market with Air Liquide of France and BOC of the UK.

Analysts say even the carbon products business, which followed its main customer, the steel industry, into a severe downturn in the early 1980s, may be earning as much as $50m thanks to drastic cuts in salaried staff and plant operating rates. Throughout Carbide, day-to-day management has improved immeasurably since the catastrophic poison-gas leak at its Indian unit at Bhopal in 1984 focused world attention on the company.

On the other side are people who say that Carbide is still what it was in the late 1970s: "the company that is always turning round." They say that Carbide's management is still demoralised by the Bhopal accident and by the wholesale dismissals and sales of businesses to fight off the $4.8bn takeover bid in 1985 from GAF, a small New Jersey chemicals group.

To win shareholders away from GAF's offer, Mr Kennedy's predecessor, Mr Warren Anderson, paid them $4.5bn in



cash, which he financed by taking on debt and selling Carbide's valuable consumer chemicals operations, including such brand names as Prestone antifreeze, Glad plastic bags and Eveready batteries.

Analysts such as Mr Anantha Raman, who runs his own research brokerage that specialises in chemicals stocks, say the restructuring has left Carbide vulnerable to the ups and downs of the basic chemicals cycle. "They should have released resources to access growth areas," he says.

"They sold off the future of the company," says Mr Michael Eckstut, a leading industry consultant at Booz Allen & Hamilton. Both fret that the new Carbide capacity may come on stream as cyclical demand for ethylene turns down and just as competing plants are opening, notably in the Far East.

And Wall Street is furious that Mr Kennedy cut Carbide's dividend to help finance the ambitious capital programme. Carbide is regularly touted for takeover, with Japanese companies recently heading Wall Street's list of possible buyers.

Mr Kennedy, the son of a part-time Pittsburgh opera singer, is dogged in the defence of his strategy. He admits that it may not have been the best idea to sell off the consumer products businesses, which were prime customers for Carbide's chemicals.

But he believes that the profits windfall, which he expects to continue into 1989, offers a heaven-sent chance for Carbide to go on the offensive. By the end of next year, he hopes to have restored Carbide's balance sheet at least to the point where its debt is no bigger than its net worth.

As for the investment programme, he sees no problems with oversupply for a while. "The industry today has fewer players and these are stronger," he says.

This is the third in a series on US chemical companies. The previous two articles, on Monsanto and Dow Chemical, appeared on December 8 and 14 respectively.

Gulf Canada Resources Limited

U.S. $375,000,000
Note Issuance Facility

Noteholders are hereby notified that the applicable Rate of Interest and the Interest Amount in relation to the Interest Period 23rd December 1988 to 23rd January 1989 is as follows:—

1. Rate of Interest: 9 9/16%
2. Interest Amount per US$500,000 Note: US$4,117.19

The Interest Payment Date will be: 23rd January 1989

Reference Agent
Bank of America
International Limited

Banca Nazionale dell'Agricoltura S.p.A.

(Incorporated with limited liability in the Republic of Italy)

London Branch
(a licensed deposit-taker)

ECU 100,000,000
Floating Rate Depositary Receipts due 1993

Notice is hereby given that the Rate of Interest has been fixed at 8·3125% for the interest period *21st December, 1988* to 21st June, 1989.

The interest amount payable on 21st June, 1989 will be ECU 420·24 in respect of each receipt for ECU 10,000 and ECU 210·12 in respect of each *receipt for ECU 5,000.*

Canadian Imperial Bank of Commerce
Agent Bank
19th December, 1988

WORLD BOND FUND
(SICAV)

Registered Office: 10 boulevard Roosevelt,
Boîte Postale 408, L-2014 Luxembourg.
R.C. Luxembourg: B23.040

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of World Bond Fund will be held at its registered office at 10, boulevard Roosevelt, Luxembourg, at 11 a.m. on 17th January, 1989, for the purpose of considering and voting upon the following matters:

Agenda

1. To accept the Directors' and Auditors' reports and to approve the financial statements for the year ended 31st August, 1988.
2. To declare a dividend for the year ended 31st August, 1988, of US$0.20 per share as recommended by the Board, and to fix its date of payment.
3. To discharge the Directors and the Auditors from their responsibilities for all actions taken within their mandate during the year ended 31st August, 1988.
4. a) To ratify the co-optation of Mr. M. Kaneko and Mr. S. Kurishima as Directors;
   b) To re-elect the Directors holding office at present.
5. To decide on any other business which may properly come before the Meeting.

Voting

Resolutions may be passed without a quorum, by a simple majority of the votes cast thereon at the Meeting.

Voting Arrangements

Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Fund to arrive not later than 10th January, 1989. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

22nd December, 1988 — The Board of Directors

The Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe

¥10,000,000,000

Floating Rate Notes due 1994
(the "Notes")

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from 23rd December, 1988 to 23rd June, 1989 being the third Interest Payment Date (as defined in the terms and conditions), the Notes will carry an Interest Rate of 5.15% per annum. Interest payable on 23rd June, 1989 will amount to ¥256,795 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

Notice of Meeting to all the shareholders in

ADT LIMITED

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at Cedar House, Cedar Avenue, Hamilton HM 09, Bermuda on January 24 1989 at 10.00 a.m. (local time) for the purpose of considering and, if thought fit, passing the following Resolutions:

RESOLUTIONS

1. THAT, subject to the passing of the Resolutions set out in the Notices dated December 22 1988 convening meetings of the holders of each class of outstanding preference shares in the capital of the Company, the Bye-Laws of the Company be amended in the manner set out in Appendix I to the Circular to shareholders of the Company dated December 22 1988.
2. THAT, subject to the passing of Resolution 1 set out in this Notice and of the Resolutions set out in the Notices dated December 22 1988 convening meetings of the holders of each class of outstanding preference shares in the capital of the Company:
(a) the objects of the Company set out in the Schedule to Clause 8 of its Memorandum of Association be altered by the deletion of paragraph (g) and (l) of that Schedule and the substitution of the following paragraph as new paragraph (g):
"(g) Subject to the provisions of Section 42A of The Companies Act 1981, to purchase its own shares in the market, by tender or by private treaty at any price and otherwise on such terms and conditions as the Directors may determine."; and
(b) the Company is authorised to purchase its own shares provided that:
(i) the maximum nominal amount of shares hereby authorised to be purchased is such nominal amount of shares which, when added to the aggregate nominal amount of shares purchased by the Company under this authority (and, in the case of purchases of preference shares in the capital of the Company, assuming full conversion at the conversion rate applicable at the time of each such purchase of such shares into Common Shares of US$0.01 each in the capital of the Company ("Common Shares") in accordance with the Bye-Laws of the Company), represents 10 per cent. of the nominal amount of the Company's issued Common Share capital as it would be upon exercise of all outstanding conversion rights and options in relation to the share capital of the Company;
(ii) the maximum price which may be paid for a share purchased on The Stock Exchange, London is an amount equal to 5 per cent. above the average of the middle market quotations as derived from The Stock Exchange Daily Official List for the Company's shares for the 10 business days immediately preceding the day on which the purchase is made;
(iii) the maximum price which may be paid for a share purchased on any stock exchange other than The Stock Exchange, London is an amount equal to 5 per cent. above the average of the closing prices (or the nearest equivalent published prices) for the Company's shares as derived from the most nearly comparable source to The Stock Exchange Daily Official List for the 10 business days (or for the most nearly comparable period for which the prices are made available) immediately preceding the day on which the purchase is made; and
(iv) in determining the price to be paid for shares purchased by private treaty, the Directors shall have regard to the average of the middle market quotations as derived from The Stock Exchange Daily Official List for the Company's shares for the 10 business days immediately preceding the day on which the agreement is to be made or if, having regard to the particular circumstances, the Directors so determine, to such other price as is determined in accordance with paragraph (b) (iii) of this Resolution.
3. THAT, subject to the passing of Resolution 1 set out in this Notice:
(a) the authorised but unissued Convertible Cumulative Redeemable Preference Shares of US$1 each in the capital of the Company (defined in the Bye-Laws as "Second Preference Shares") and all authorised but unissued share capital of the Company arising from the redemption of Second Preference Shares in connection with their conversion into Common Shares be cancelled; and
(b) the authorised Common Share capital of the Company be increased to US$10,900,000 divided into 1,090,000,000 Common Shares of US$0.01 each.
4. THAT:
(a) the savings related share option scheme applicable to UK employees, a copy of the rules of which in draft has been initialled by the Chairman of the Meeting for the purpose of identification and the principal provisions of which are set out in Appendix II to the Circular to shareholders of the Company dated December 22 1988, be approved;
(b) the Directors of the Company be authorised to cause such rules to be adopted in the form of such draft (subject to any amendments thereto required by the UK Inland Revenue in order to secure approval thereof as a savings related scheme under Schedule 9 to the UK Income and Corporation Taxes Act 1988);
(c) the Directors be authorised to establish similar arrangements applicable to employees in countries other than the UK in the manner described in the said circular to shareholders; and
(d) the Directors be authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.
5. THAT the amendments to the Company's executive share option schemes as described in the Circular to shareholders of the Company dated December 22 1988 be approved and the Directors of the Company be authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.

BY ORDER OF THE BOARD
J. D. CAMPBELL
Secretary

Registered Office:
Cedar House
Cedar Avenue
Hamilton HM 09
Bermuda

December 22 1988

Notes:
(a) A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote on his behalf. A proxy must be a Member of the Company.
(b) A white form of proxy has been posted with the Circular to shareholders of the Company dated December 22 1988 to all shareholders who, if unable to attend the Meeting, should complete and return the white form of proxy so as to reach the Registrars of the Company, The Bank of Butterfield Executor & Trustee Company Limited, P.O. Box HM1540, Hamilton HM FX, Bermuda, before the time fixed for the Meeting.
(c) For the convenience of UK resident holders of Common Shares, arrangements have been made whereby forms of proxy, completed and returned to the UK Transfer Agent, Tanmade Limited, Prospect House, The Broadway, Farnham Common, Slough SL2 3PQ, United Kingdom, not later than 10.00 a.m. (London time) on January 19 1989, will be forwarded to the Registrars of the Company in time for the Meeting.
(d) The fact that a shareholder may have completed a white form of proxy will not prevent him from attending and voting in person at the Meeting should he subsequently wish to do so.

The Directors of the Company have unanimously recommended shareholders to vote in favour of the Resolutions set out above.

Notice to holders of International Depositary Receipts

for

the 8¾ per cent. Convertible Cumulative Redeemable Preference Shares 2001 of US$1,000 each

and

the 5¾ per cent. Convertible Cumulative Redeemable Preference Shares 2002 of US$1 each

and

the 6 per cent. Convertible Cumulative Redeemable Preference Shares 2002 of US$1 each

in

ADT LIMITED

NOTICE IS HEREBY GIVEN that a Special General Meeting of ADT Limited will be held at Cedar House, Cedar Avenue, Hamilton HM 09, Bermuda on January 24 1989 at 10.00 a.m. (local time) for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice of the said Meeting set out above. NOTICE IS ALSO HEREBY GIVEN that separate General Meetings of the holders of the 8¾ per cent. Convertible Cumulative Redeemable Preference Shares 2001 of US$1,000 each ("First Preference Shares"), the holders of the 5¾ per cent. Convertible Cumulative Redeemable Preference Shares 2002 of US$1 each ("Third Preference Shares") and the holders of the 6 per cent. Convertible Cumulative Redeemable Preference Shares 2002 of US$1 each ("Fourth Preference Shares") in the capital of ADT Limited will be held at the same place shortly thereafter each such meeting for the purpose of considering and, if thought fit, passing a Resolution sanctioning the passing of Resolutions 1 and 2 set out in the Notice convening the Special General Meeting of ADT Limited set out above, the purchase by the Company of its own shares under the authority contained in Resolution 2(b) and each and every variation of the rights, privileges or conditions attached to, respectively, First, Third and Fourth Preference Shares as is or may be thereby involved.

Holders of International Depositary Receipts in respect of First, Third and Fourth Preference Shares ("IDRs") should note the following:

(a) Holders of IDRs have no right in their capacity as such to attend, vote or speak at the respective Meetings referred to above.
(b) Holders of IDRs may instruct Banque Indosuez Luxembourg ("the Depositary") as to the exercise of the voting rights (if any) attributed to the relevant certificates representing the First, Third and Fourth Preference Shares deposited with the Depositary or its agent(s). The Depositary will endeavour, so far as practicable and subject to any applicable provisions of law or of the Bye-Laws of ADT Limited, to exercise such voting rights in accordance with such instructions.
(c) Copies of the Circular issued by ADT Limited to shareholders dated December 22 1988, containing an explanation of the Resolutions to be proposed at the Meetings referred to above, and copies of the existing Memorandum of Association and Bye-Laws of ADT Limited are available for inspection by holders of IDRs at the offices specified below, during normal business hours on any business day up to and including the date of the Meetings. Copies of the Circular and forms of instruction to the Depositary may be obtained by holders of IDRs from the offices of Banque Indosuez Luxembourg and Credit Suisse specified below.
ADT Limited: Cedar House, Cedar Avenue, Hamilton HM 09, Bermuda; Allen & Overy: 9 Cheapside, London EC2V 6AD, United Kingdom; Banque Indosuez Luxembourg: 39 Allée Scheffer, L-2520 Luxembourg; Credit Suisse: Paradeplatz 8, CH-8001 Zurich, Switzerland.

Banque Indosuez Luxembourg — **Agent Bank**

December 22 1988

Notice of Redemption

European Economic Community

£50,000,000 11⅞ per cent. Bonds 1991

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Bonds, Citibank, N.A. as Principal Paying Agent, has selected by lot for redemption on February 1, 1989 £10,000,000 principal amount of said Notes, at the redemption price of 100% of the principal amount thereof. Notes selected by lot for redemption are as follows:

Outstanding Notes bearing serial numbers ending in any of the following two digits:

05	14	29	36	37	38	39	40	42	48
51	60	68	77	79	82	83	85	96	99

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on February 1, 1989 should be detached and presented for payment in the usual manner. On and after February 1, 1989 interest on the Bonds will cease to accrue and unmatured coupons will become void.

Outstanding after February 1, 1989 £20,000,000.

December 22, 1988
By: Citibank, N.A. (CSSI Dept.)
London, Principal Paying Agent CITIBANK

Korea Exchange Bank

£50,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the above Notes, notice is hereby given that for the three months from 19th December 1988 to 20th March 1989, the Notes will carry an interest rate of 13 5/16% per annum.

The interest payable on each £5,000.00 and £50,000.00 Note on the relevant interest payment date, 20th March 1989, against Coupon 15 will be £165.95 and £1,659.50 respectively.

Agent Bank: Lloyds Merchant Bank

INTERNATIONAL CAPITAL MARKETS

IMI Bank sole new issuer with $250m offering

By Norma Cohen

THE ADVENT of the Christmas holiday period has reduced activity in both primary and secondary bond markets to a mere trickle, with only one new issue to emerge today.

IMI Bank International issued a $250m one-year Eurobond, with a 9½ per cent coupon and priced at 101⅞ per cent. Lead manager IBJ International described the issue as "targetted", meaning it has identified a small pocket of demand for this type of security, likely pre-placing much of it.

IBJ declined to discuss the nature of the demand, except to note that the securities provide a reasonable yield of 32½ basis points over the annualised yield of US Treasury bills. Also, the securities are guaranteed by Istituto Mobiliare Italiano, a state-owned finance institution and are treated as sovereign risk.

But dealers said that such securities, by now a specialty of some Japanese underwriters, are offered to investors in commercial paper on a swapped basis to yield ⅛ point under six-month London inter-bank bid rates (Libid). Because many investors in Euro-commercial paper are unwilling to buy maturities of longer than six months, they are offered the opportunity to swap the one-year security for two consecutive six-month issues.

INTERNATIONAL BONDS

Significantly, after IBJ launched its issue, a leading market screen service updated its calculation of the 1988 League Table of the top issuers, showing that the Japanese bank had moved into tenth place from 11th place, supplanting Bankers Trust. It is likley to be the only Japanese bank among the top 10 underwriters.

For Japanese banks, even those who have been less successful at underwriting than IBJ, establishing a track record in the Euromarkets is essential. Banks are hoping to convince the Ministry of Finance to change the rules barring them from underwriting securities in their home markets, and they need to demonstrate their ability to do so abroad.

Separately, Credit Suisse First Boston said that Federal Express would offer £46m of its five-year Eurobond as a private placement, replacing a public offering with identical terms that was withdrawn on Tuesday.

In Switzerland, John Deere Credit Company's SFr145m 10-year five per cent bonds completed their second trading day in the secondary market. In Zurich, the bonds were seen trading at 97 against an issue price of 100¼, well outside the 2¼ per cent fee to co-managers.

Dealers in the Swiss market said the deal appeared to be tightly priced and suggested it would have sold better with a coupon of 5¼ per cent. However, the deal may have suffered from market conditions which saw a steep rise in short term interest rates shortly after the bonds were launched. Also, the bonds are rated BBB+ by Standard and Poor's, a level too low to allow purchase by certain pension funds and investment managers.

However, the attention of most participants was riveted on the various screen services offering competing trivia quizzes and limerick competitions. The limericks, highly charged with black humor, revealed a telling preoccupation with the recent round of losses and lay-offs at City firms.

Samuel Montagu wins Turkish deal

A TEAM headed by Midland Bank subsidiary Samuel Montagu, together with Turk Ekonomi Bankasi, has been awarded a consultancy contract to advise on the privatisation of Turkey's petrochemical corporation Petkim, writes Jim Bodgener. The contract was awarded by Turkey's mass housing and public participation fund and the team also includes UK sub-contractors Price Waterhouse and John Brown Engineering.

The actual privatisation of Petkim is at least 18 months away as it will need restructuring to be saleable. It is one of two candidates chosen to be the first fully fledged state economic enterprises (SEEs) to be privatised – the other is textiles agency Sumerbank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IMI Bank (Int.)◆	250	9½	100⅞	1990	⅜/½	IBJ Int.
STERLING						
Issue changed:						
Fed. Express Fin.(a)★★◆	46	12⅛	101⅝	1993	n/a	CSFB

◆Final terms. a) Issue changed from £75m public issue with other terms unchanged. ★★Private placement.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	†93⅛	93⅝	0	+0⅛	9.93
A/S Eksportfinans 7⅞ 92	150	93⅛	93⅝	+0⅛	+0⅛	9.78
B.F.C.E. 7 92	150	92⅛	92⅝	0	-0⅛	9.75
Brit. Tel. Fin. 9⅞ 98	250	97⅞	98⅜	0	0	9.67
Canada 9 96	1000	98	98½	+0⅛	+0⅛	9.33
Canadian Pac 10⅛ 93	100	†101½	102½	0	-0⅛	10.13
C.C.C.E 9⅛ 95	300	97¼	98¼	+0⅛	-0⅛	9.68
C.N.C.A 9⅞ 93	150	98½	99	0	+0⅛	6.68
Credit Lyonnais 9 91	200	†98½	98⅞	0	-0⅛	9.69
Credit National 8⅛ 93	200	94½	95	0	-0⅛	9.81
Credit National 7⅞ 92	100	93⅜	93⅞	+0⅛	0	9.67
Credit National 7⅛ 91	150	†93⅛	93⅝	0	-0⅛	9.87
Dai-ichi Kan 9⅝ 92	150	99⅛	99⅝	+0⅛	+0⅛	9.72
Denmark 7⅛ 92	500	92⅝	93⅛	+0⅛	+0⅛	9.80
E.E.C. 7 91	100	93⅜	94	+0⅛	+0⅛	9.52
E.E.C. 7¼ 93	250	91⅞	92⅜	+0⅛	+0⅛	9.60
E.E.C. 8 90	350	†97⅛	97⅝	0	+0⅛	9.70
E.I.B. 7⅝ 93	100	92	92½	+0⅛	+0⅛	9.65
E.I.B. 9⅛ 97	150	98½	99	+0⅛	+0⅛	9.58
Elec.De France 9 98	200	96	96½	+0⅛	+0⅛	9.62
Finland 7⅞ 97	200	89⅞	90⅜	+0⅛	+0⅛	9.71
Finland 7½ 93	200	92	92½	+0⅛	+0⅛	9.60
Finn.Exp.Cd. 8½ 92	200	96⅜	96⅞	+0⅛	+0⅛	9.74
Ford Motor Credit 8 91	250	†96	96½	0	0	9.90
Gen.Elec.Cap.Corp. 9 93	500	97	97½	+0⅛	0	9.76
Gen Elec Credit 10⅛ 00	200	†100	100½	0	0	10.19
Gen. Mtrs.Corp. 9⅛ 92	200	98⅛	98⅝	+0⅛	+0⅛	9.56
Halifax BS 9½ 93	200	†98⅜	98⅞	0	+0⅛	9.86
IBM Credit Corp. 8⅞ 91	250	98⅛	98⅝	+0⅛	+0⅛	9.48
Italy 9½ 95	1000	99⅛	99⅝	+0⅛	+0⅛	9.62
Italy 9 90	1000	†99	99½	+0⅛	+1½	9.43
Lib. Mutual Cap. 9⅛ 93	150	†97⅜	97⅞	0	-1⅛	9.75
L.T.C.B of Japan 8 91	150	95⅞	96⅜	+0⅛	+0⅛	9.81
L.T.C.B.of Japan 8 97	200	89⅞	90⅜	+0⅛	+0⅛	9.85
Metropolis Tokyo 9½ 93	200	99⅞	100⅜	+0⅛	+0⅛	9.45
Morgan Guaranty Tst. 7 90	150	†96½	97	+0⅛	+0⅛	9.90
Nippon Tel.&Tel. 9⅞ 98	250	98	98⅜	-0⅛	0	9.67
Norway 8⅛ 93	500	97	97½	+0⅛	+0⅛	9.55
Portugal 8⅛ 91	300	†96⅛	96⅝	0	-0⅛	10.02
Prudential Crp. 8⅞ 94	125	97⅛	97⅝	+0⅛	+0⅛	9.35
Qantas Airways 10⅛ 95	140	102⅝	103⅛	0	+0⅛	9.74
Saskatchewan 10⅛ 92	100	102¼	102⅞	-0⅛	0	9.77
State Bk S Aust 9⅛ 93	100	98	98⅜	0	+0⅛	9.81
Sumitomo Bank 9⅝ 92	150	99⅛	99⅝	+0⅛	+0⅛	9.76
Swed Exp Cred 7⅛ 91	100	†93⅝	94⅛	+0⅛	+0⅛	9.71
Sweden 7 91	250	93⅞	94⅛	+0⅛	+0⅛	9.52
Sweden 7 92	250	†93⅛	93⅝	+0⅛	+0⅛	9.47
Sweden 8⅛ 96	200	95⅝	96⅛	+0⅛	+0⅛	9.55
Sweden 8½ 92	200	†97⅜	97⅞	-0⅛	-0⅛	9.27
Victorian Rep 11⅝ 92	150	104½	105	+0⅛	-0⅛	9.85
World Bank 7 92	300	†93⅛	93⅝	+0⅛	+0⅛	9.50
World Bank 9 97	300	96⅞	97⅜	+0⅛	0	9.49
World Bank 9⅛ 98	300	97⅞	98⅜	+0⅛	+0⅛	9.55
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅜	0	+0⅛	9.86
Average price change...	On day +0⅛	on week +0⅛				

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅛	102⅛	+0⅛	0	5.65
Avis Fin.SVS 5⅞ 92	100	†100⅛	101⅛	-0⅛	-0⅛	5.52
Bank of Tokyo 5⅛ 93	100	†101⅛	102⅛	+0⅛	+0⅛	5.20
Central BK. Turkey 7 92	200	†104	104½	0	+0⅛	5.71
Commerzbank o/s. 5⅛ 93	300	†100	100½	-0⅛	-0⅛	5.30
Degussa Int. 6⅛ 97	200	100⅞	101⅜	0	+0⅛	5.93
E.I.B 5½ 98	150	95⅞	96⅜	0	+0½	6.07
E.I.B 6 97	300	99⅛	99⅞	+0⅛	+0⅛	6.08
E.I.B. 6⅛ 96	300	100⅛	101	0	0	6.01
E.I.B. 6⅛ 97	400	99⅞	100⅜	-0⅛	+0⅛	6.08
E.I.B. 6⅞ 95	300	104⅛	105	-0⅛	-0⅛	6.03
Euro.Coal& Steel 5⅞ 97	175	98⅛	99⅛	0	+0⅛	6.07
Eurofima 6⅛ 96	100	101	101⅛	0	0	6.03
Elec De France 5⅛ 97	300	98⅛	98⅞	+0⅛	-0⅛	5.97
Forsmark Krtg. 5⅛ 93	200	98⅛	99⅛	+0⅛	+0⅛	5.43
I.A.D.B. 6 97	200	99⅛	100⅛	+0⅛	+0⅛	5.97
Japan Dev. Bk. 5⅞ 95	300	†98⅞	99⅜	+0⅛	+0⅛	5.51
Japan Finance 5⅛ 97	100	97⅛	97⅞	+0⅛	-0⅛	6.14
Ireland 6½ 97	300	†101	101½	0	+0⅛	6.30
Malaysia 6⅛ 94	150	100⅛	100⅞	+0⅛	+0⅛	6.13
Nat. West BK. PLC 6 98	300	†97⅛	98⅛	+0⅛	+0⅛	6.34
N.H.L. Finance 6⅛ 95	200	†100	100½	+0⅛	+0⅛	6.20
Nippon Telg.&Tel. 6 95	400	†102⅛	103⅛	+0⅛	+0⅛	5.91
Oesters. Kontbk. 5 93	300	98⅛	99⅛	+0⅛	+0⅛	5.31
Portugal 5⅞ 92	150	100⅞	101⅜	-0⅛	-0⅛	5.50
Portugal 6⅝ 95	150	102⅛	102⅞	-0⅛	-0⅛	6.14
Privatbanken 5⅛ 93	150	97⅛	98⅛	0	0	5.79
Royal Insurance 5½ 92	300	†100⅞	101	-0⅛	-0⅛	5.23
Soc Cent Nuclear 7⅛ 95	150	105⅛	106⅛	-0⅛	+0⅛	6.14
Turkey 6½ 95	500	†97⅛	98⅛	+0⅛	-0⅛	6.89
Westlb. Finance 5 93	200	†99	99⅜	0	0	5.23
World BK. 6⅛ 97	600	100⅞	101½	+0⅛	+0⅛	5.97
Average price change...	On day +0	on week +0⅛				

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	+0⅛	+0⅛	4.80
Asfinag 5 03	100	†100	102	+0½	0	4.90
B.F.C.E. 4½ 98	200	†98½	98⅞	0	0	4.68
B.M.W.Fin.Neth. 5 13	150	†95	96	0	-0⅛	5.33
Britannia B/S. 4⅛ 94	100	†96⅛	97	-0⅛	-0½	4.91
CIR. Int. W/W 3 93	125	†96	96⅛	-4	-1⅛	3.94
Credit Lyonnais 4⅛ 00	100	†97	97⅛	0	-0⅛	5.08
E.I.B 4⅜ 98	150	†99	99½	+0⅛	-0⅜	4.72
Fletcher Chall. 4⅞ 98	150	†96⅛	97	-0⅜	-0⅝	5.31
Kobe City 4⅝ 98	150	†97⅞	98⅛	-0⅛	0	4.89
Leeds Perm. B/S. 4⅛ 93	200	†97	97½	0	0	4.84
Malaysia 5⅛ 98	100	†98½	98⅞	+0⅛	+0⅞	5.43
Maxwell Comm.Crp. 5 95	150	†101⅛	101⅞	+0⅛	+0⅛	4.72
Nat. Bk. Hungary 5½ 94	75	†98⅛	98½	+0⅛	-0⅛	5.83
Nationwide Ang.B/S. 4 93	200	†96	96⅛	-0⅛	-0⅛	4.98
Nippon Telg.&Tel.4⅛ 95	200	†98⅛	98½	0	-0⅛	4.53
Oesters.Ktbk. 5 03	75	†100	100⅞	+0⅛	-0⅛	4.96
Prov. New Foundland 5 03	150	†100½	100⅞	+0½	+0⅛	4.94
Thailand 4⅝ 95	200	†95⅛	96⅛	0	0	5.36
World Bank 5 03	150	†99⅛	100⅛	+0⅛	-0⅞	5.00
Average price change...	On day -0⅛	on week -0⅛				

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	102¼	102½	+0⅛	-0⅛	4.71
Belgium 4⅝ 94	45	98⅛	98⅝	0	-0⅛	4.94
Canada 4⅞ 92	80	99⅛	99⅝	+0⅛	+0⅛	4.60
Elec. De France 5⅛ 94	20	101¼	101½	0	0	4.84
Ireland 5⅛ 93	30	100¼	100¾	0	+0⅛	4.99
Norway 5⅛ 95	50	101⅛	101⅜	0	0	4.88
Rep. of Italy 5⅞ 92	150	103¼	103½	+0⅛	0	4.57
Sweden 4⅝ 93	50	99⅜	99⅝	0	0	4.75
World Bank 5½ 92	50	103	103⅛	0	0	4.56
Average price change...	On day +0⅛	on week +0				

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	98⅜	98¾	0	+1½	10.70
Alg. Bk. Ned. 5½ 92 FL	150	98½	99¼	0	+0¼	5.85
Alg. Bk. Ned. 5¾ 93 FL	200	98⅝	99⅛	0	+0¼	6.05
Amro Bank 6¼ 92 FL	150	101¼	101¾	-0⅛	0	5.81
Aust.Ind.Dev. 12⅞ 93A$	100	95¾	96⅜	-0⅛	0	14.06
Barc. Bk. 10¼ 97 £	250	95¼	95¾	+0⅛	+1⅜	11.04
Barclays Aus.13½ 91 A$	100	99½	100	0	+0⅜	13.55
Blue Circle 10¼ 13 £	150	†97	97½	-0⅛	+1¼	11.08
BP Capital 9¾ 93 £	100	95¼	95¾	+0⅛	+1⅝	11.05
British Airways 10 98 £	100	92¼	92¾	+0⅛	+1¼	11.34
Buhrmann-Tet. 6¾ 93 FL	100	100⅜	100⅞	0	+0⅛	6.20
Comm.Bk.Aust. 12⅛ 93A$	100	96⅛	96⅝	+0⅛	0	13.53
Coop.Ctr.Rabo.6¼ 93 FL	100	100¼	100¾	+0⅛	+0¼	6.10
Coop.Ctr.Rabo.6 92 FL	200	100⅛	100½	0	+0⅛	5.87
Denmark 7⅛ 92 ECU	100	†100¼	101¾	0	-1⅜	7.27
Dixons 11 95 £	90	†96	96½	+0⅛	+1⅜	11.75
Deut. Bk.Aust.12¾ 95 A$	70	99⅝	100⅛	+0⅛	+0¼	12.75
Eastman Kodak 13 90 A$	100	96⅝	97⅛	0	0	15.11
E.I.B. 7 96 LFr	100	†98	99	0	-0¼	7.27
Elec. France 10¼ 95 C$	125	†98¼	99¼	0	-0⅝	10.44
Euratom 7⅛ 97 ECU	145	95⅛	95⅝	0	+0⅛	8.15
Fed. Bus. Dv.Bk. 9¾ 92 C$	75	†97	97½	0	+0¼	10.70
Ford Cr.Can. 10¼ 93 C$	100	†99⅝	100⅛	0	-0¼	10.77
Gillette Can. 9⅝ 93 £	70	92½	93⅛	+0⅛	+1⅜	11.66
G.M.A.C. 9¾ 93 C$	150	†95⅞	96⅜	0	-0½	10.87
G.M.A.C Aus.Fin.14 90 A$	50	100¼	100¾	+0⅛	+0½	13.46
Halifax BS 10⅞ 97 £	100	95½	96⅛	0	+2	11.18
Imp Chem Inds 10 03 £	100	93⅜	94	0	0	10.88
Inv. Industry Int.10 93 £	60	96	96⅜	+0⅛	+1¼	11.15
Lloyds Bank 10¼ 98 £	150	94	94½	+0⅛	+1⅝	11.27
Montreal Tst.10¼ 93 C$	100	†98⅝	99⅛	0	-0½	11.04
Nat. West.Bk.13⅛ 92 A$	50	†99⅝	100⅛	0	+0½	13.15
Nationwide BS 10⅛ 93 £	75	96¼	96¾	+0⅛	+2¼	11.16
Ned.Midd.Bank 6 92 FL	150	100	100½	-0⅛	-0⅛	5.90
New Zealand 9½ 93 £	100	94⅛	94⅝	+0⅛	+1⅝	11.09
New Zealand 7⅛ 93 ECU	200	100⅜	100⅞	+0⅛	+0⅛	7.59
Oesters.Ktbk.13⅝ 94 A$	75	100⅞	101⅜	+0⅛	+0½	13.28
Philips Gleoil. 6 93 FL	300	99	99½	+0¼	-0⅜	6.18
Prudential Fin.9⅜ 07 £	150	†88⅜	88⅞	+0⅛	+1⅝	10.81
Royal Bk.Scot.10⅝ 98 £	125	95⅜	95⅞	+0⅛	+1⅜	11.45
Saskatchewan 9⅞ 91 C$	150	†97¾	98¼	0	-0⅛	10.75
Saskatchewan 10¼ 93	200	98⅛	98⅝	+0⅛	-0⅛	10.68
S.D.R. 7⅞ 95 ECU	90	†99	99½	0	+0⅛	7.90
Union Bk. Switz. 7½ 93	150	101⅛	101⅝	0	0	7.16
World Bank 5¾ 92 FL	100	99⅛	99⅝	-0⅛	-0⅜	5.95
World Bank 13⅞ 92 A$	100	†99	99½	0	+0⅜	13.58
Zentrspk. 13¼ 93 A$	75	98½	99	0	+0⅜	13.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bid 94 £	.08	99.68	99.73	21/01	10.99
Belgium 91 US	0	100.11	100.22	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Grp.91 US	0⅛	99.50	99.67	22/02	8.94
Citicorp 98 US	†0⅛	97.70	97.95	28/02	9.62
Credit Foncier 98 US	.063	99.59	99.69	20/04	8.44
EEC 3 92 DM	†0	100.96	101.06	22/02	5.63
Halifax BS 94 £	.1	99.86	99.91	8/02	12.29
Invt. in Industry 94 £	.0	99.96	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.00	100.05	30/12	12.06
New Zealand 5 97 £	.07	100.11	100.21	20/02	12.16
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.22	100.32	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.90	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.82	21/02	12.37
Average price change...	On day +0.00	on week +0.03			

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	104⅛	105⅛	+0⅞	17.41
Amer. Brands 7⅛ 02 US	9/87	56.7	106½	107½	0	8.82
Ashikaga Bank 2⅛ 02 US	4/87	967.	145¼	146½	-0⅛	5.57
Asics 5 92 DM	12/83	472.7	213¼	214¼	-0⅛	7.67
CBS. Inc. 5 02 US	4/87	200.	92	93	+0⅛	8.74
Eng.China Clay 6½ 03 £	9/88	4.8	98⅛	99½	-0⅛	5.13
Fujitsu 3 99 US	5/84	1106.	258	259	+2	-0.12
Land Secs. 6¼ 02 £	6/87	6.72	91⅛	92⅛	-0⅛	13.18
MCA Inc 5½ 02 US	9/87	69.62	81⅛	82⅛	0	24.06
Minolta Camera 2⅞ 94DM	2/86	1004.	97⅝	98⅝	+0⅛	18.67
Mitsubishi Bk.1⅛ 02 US	9/87	3157.	131¼	132¾	-0½	4.62
Mitsui Trust 2⅞ 01 US	10/86	1903.	135	136	+0⅛	3.30
Next Plc 5⅞ 03 £	11/87	4.3	97⅛	98⅛	-0⅛	212.94
Nishi Nipp Bk.2⅞ 03 US	4/88	804.	114⅞	116⅛	-1⅜	10.42
Omron Tateisi 2⅞ 02 US	4/87	1310.	222½	223½	-3	-1.56
Primerica 5½ 02 US	4/87	66.75	64⅞	65⅞	+0⅛	54.66
Ranks Hovis 4⅛ 03 £	1/88	3.5	106⅞	107⅝	+0⅛	10.60
Redland 7¼ 02 £	1/87	3.4	86	87	0	16.48
Saatchi&Saatchi 6¼ 03 £	†10/89	4.41	93½	95½	0	26.67
Texas Inst. 2¼ 02 US	9/87	82.87	73⅛	74⅛	-0⅛	51.85
W.R. Grace 6½ 02 US	9/87	42.12	80⅝	81⅝	-0⅛	36.78

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Two more indices for US futures markets

By Deborah Hargreaves in Chicago

THE COMMODITY Futures Trading Commission, the US futures regulatory body, paved the way for two new products to join the already crowded US stock index futures market this week with its approval of two international index futures contracts.

The regulatory agency gave the go ahead for an index created by Morgan Stanley and called the Europe, Australia, Fare East (EAFE) stock index to trade on the Chicago Mercantile Exchange, and it approved the International Market Index (IMI) to trade as a futures contract on New York's CSCE, the coffee, sugar and cocoa exchange.

The two indices are part of a major globalisation drive by US futures exchanges aimed at attracting foreign investors and US money managers with an interest in overseas stocks.

The EAFE product is a broad-based, capitalisation-weighted stock index representing the market value, in dollars, of around 1,000 equities in Europe, Australia and the Far East. Japanese stocks currently represent 63 per cent of the index with UK equities occupying a 13 per cent share.

The CME has set no firm date for trading the futures contract, but is looking at launching the product on its Globex electronic trading system that is scheduled to start in the third quarter of next year. The exchange said its recently-approved Japanese stock index, the Nikkei 225, will also first trade on Globex.

The coffee, sugar and cocoa exchange is planning to trade its international market index in the first quarter of next year. By then, the American Stock Exchange should have received approval from the Securities and Exchange Commission to trade an option on the same index.

The IMI comprises 50 foreign stocks, four of which trade directly in US markets with the rest trading as American depository receipts. It represents a departure into the index area for the exchange, which has concentrated on soft commodity contracts.

The CSCE is hoping to give the IMI a strong launch and has built a special trading pit on its already crowded trading floor. In an effort to boost liquidity, the exchange will also extend trading rights in the new index for up to a year to members of the other four New York futures exchanges that share its World Trade Centre headquarters.

West Germany introduces stop-loss trade

By Haig Simonian in Frankfurt

INVESTORS on West Germany's eight stock exchanges will be able to use "stop-loss" and "stop-buy" orders on 30 leading domestic equities from next month, marking a further step in the gradual extension of services on German financial markets.

The innovation, which will affect only the 30 German blue chip companies whose shares make up the new DAX real time equity index, follows discussions among the stock exchanges in recent weeks.

Until now, only a limited number of investors have been able to use stop-loss and stop-buy orders, which allow clients to set pre-arranged limits on their equity transactions, on a selective basis on some bourses. As a result of the new ruling, the practice will be open to all.

However, the use of stop-loss orders will be limited to order sizes of 50 shares or a multiple thereof, putting the practice out of reach for many small retail investors in view of the high prices of most leading German equities.

Eurocard and Visa in accord

By David Barchard

HOLDERS of plastic cards belonging to the Visa International and Eurocard payment systems will be able to withdraw cash freely at European bank branches and cash dispensers of either system by mid-1990, under an agreement reached between the two groups.

Travellers should thus be able to use their credit cards to draw local currency from machines in most parts of Europe. Mr Joao Ribeiro da Fonseca, chief general manager of Visa Europe, said the agreement was a significant step towards a free European retail banking market.

The agreement marks a major step forward in relations between Visa International and the German banks which are the moving force in Eurocard.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Lower Fed Funds rate brings NY rally

By Roderick Oram in New York and Stephen Fidler in London

WITH THE help of a slightly easier Fed Funds rate and an encouraging piece of economic news, Wall Street credit market made marginal gains yesterday, most notably at the short end, in thin trading.

The Federal Reserve added more reserves to the banking systems than expected through $2.5bn of customer repurchases. The move eased the Fed Funds rate to 8%.

The easing prompted a fall in short-term interest rates with three-month Treasury bills losing nine basis points to 8.34 per cent.

The long end was little changed with the Treasury's 30-year benchmark bond price rising & to 100%, yielding 8.93 per cent.

Prices had dipped a little during the morning.

GOVERNMENT BONDS

PROJECTIONS by the Organisation of Economic Co-operation and Development of a stubborn inflation rate and a widening trade deficit had little impact on a quiet UK government bond market, which encouraged some traders by posting some modest gains. Even if holidays had not been approaching, the market would be in thrall to Friday's release of UK balance of payments figures for November. The market consensus would suggest a current account deficit of £1.5bn.

THE JAPANESE government bond market recovered following a sharp recovery of the yen against the dollar. Tokyo newspaper reports suggesting the government demands on the market would be lower even than expected offered support. The reports suggested that in the fiscal year ending March 31, 1990, the government would raise Y3,300bn less through the underwriting syndicate than originally estimated for the current year. Chances increased, dealers said, for a 4.7 per cent coupon on the January 10-year bond issue, in line with this month's offering.

FRENCH government bonds gained ground when an expected morning sell-off failed to materialise, helped by the swing back into surplus in the French current account position in September. A FFr1.6bn surplus in September followed an FFr8.3bn deficit in August. Foreign buying was cited as a factor.

THE BUNDESBANK allocated DM16¾bn in a 35-day repurchase agreements, with some DM18bn draining from the market. This was viewed as positive in the bond market as a smaller allocation had been expected. But prices closed up to a quarter point lower.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago.
UK GILTS	13.500	9/92	108-19	+0/32	10.64	11.09	10.37
	8.750	9/97	92-14	+2/32	10.07	10.39	9.84
	9.000	10/08	98-02	+1/32	9.21	9.41	9.07
US TREASURY*	8.875	11/98	98-28	+9/32	9.05	9.18	9.05
	9.000	11/18	100-18	+3/32	8.94	9.01	9.11
JAPAN No 105	5.000	12/97	103.1381	+0.263	4.51	4.50	4.58
No 2	5.700	3/07	108.9679	+0.211	4.78	4.73	4.88
GERMANY	6.750	8/98	101.6250	-0.225	6.54	6.62	6.39
FRANCE BTAN	8.000	10/93	97.5683	+0.076	8.62	8.65	8.58
OAT	9.500	5/98	105.3500	+0.115	8.63	8.77	8.78
CANADA*	10.250	12/98	101.0000	+0.100	10.08	10.23	10.05
NETHERLANDS	6.7500	10/98	101.6750	-0.250	6.58	6.63	6.44
AUSTRALIA	12.500	1/98	97.9065	-0.104	12.89	12.48	12.14

London closing, *denotes New York close
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Heron in Pta15bn financing

By Stephen Fidler

HERON International, the privately-owned diversified property, motor services and financial services group run by Mr Gerald Ronson, said it signed a Pta15bn syndicated loan yesterday, making it the first recipient of a large syndicated loan in Europesetas.

The loan, from a syndicate of 10 international banks led by Banco Bilbao Vizcaya, will go towards funding the construction of three office developments in central Madrid at a total cost of £80m, and additional developments now being considered. Heron announced a joint venture in October with the Banesto banking group involving some $100m of property.

● Tokai Bank Nederland said it has become the first overseas subsidiary of a Japanese bank to set up a programme in the fast growing Euro-yen commercial paper market, taking advantage of relaxations to Ministry of Finance rules earlier this month.

Credit Suisse First Boston, Merrill Lynch International, Shearson Lehman Hutton and Tokai International arranged the programme.

In the same market, Mitsubishi Corporation Finance issued this week the first Euroyen paper for a Japanese financial institution under the new rules. The Y5bn of paper was issued under an existing $700m programme with multiple currency option.

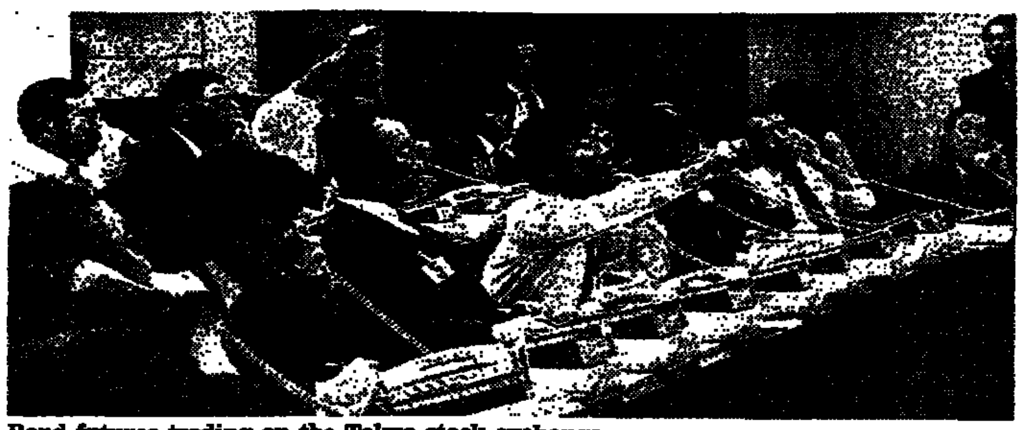
● A $2.3bn syndicated refinancing for Beazer, the UK house building, materials and construction group, was almost twice subscribed. Bank commitments to the refinancing, to take its new US subsidiary Koppers on to its balance sheet, will be scaled down.

Cresvale in Tokyo

CRESVALE, a British specialist in equity-linked securities, has been granted a full branch licence to operate an office in Tokyo, writes Norma Cohen. Cresvale, a market maker in Japanese equity warrants and convertible bonds, has had an office in Tokyo for several years, but its operations had been limited to providing research and information to clients.

Bulls hold the ring in Japan's bond market

Two factors sustain hopes of an extended recovery, writes Michiyo Nakamoto



Bond futures trading on the Tokyo stock exchange

INVESTORS in the Japanese bond market, many still licking their wounds from last summer's unexpected rout, are wondering if the market is about to undergo another big speculative rally.

The market has already recovered substantially since the summer, as yields on the former benchmark 105th issue have plunged from 5.490 in September to 4.455 earlier this month. However, many analysts still think there is more to go for, mainly because of two factors:

● The continuing extraordinary success of the Japanese economy is maintaining the high level of liquidity in the system that has kept downward pressure on interest rates;

● It has also buoyed the Government's revenues, which means that the supply of new bonds is rapidly drying up. It may be difficult to imagine long-term bond yields going much lower than the current level, given short-term rates of 4.41 per cent, but investors know that the upward slope of the yield curve has disappeared before in Japan.

In the spring of last year, bond yields fell to 2.80 per cent, and early this year, on a couple of occasions, they dipped below the rate on three-month certificates of deposit. Again, since November, the yield on the benchmark bond has been hovering very close to the rate of three-month certificates of deposit.

"For 10-year bonds to be yielding less than three-month bonds is an anomaly," says Mr Marshall Gittler, bond analyst at UBS Phillips and Drew. "It's especially strange when inflation is running at a low level," he adds.

All this is a long way from the gloom that descended on the market last spring, when a rise in US interest rates and an unexpected strengthening of the US dollar sent bond prices plunging. Investors, who had thought the Japanese bond market was solidly based on a booming economy and more or less immune to outside pressures, watched in horror as the yield on the No 105 benchmark government bond, which hit 4.26 per cent in early April, rose on a long upward climb to a peak of 5.490 per cent on September 1, leading to huge losses by the majority of Japan's securities firms and banks.

Nikko Securities, third among Japan's big four securities companies, for example, suffered a Y24.5bn ($195.8m) loss on bond trading. Sumitomo Bank, which topped the list of most profitable banks for the first half-year to September, also cut its income from securities dealing by 50 per cent.

It was only after the release in late September of US unemployment figures for August that the Japanese bond market was able to break out of its gloom. Those figures showed that inflationary pressures in the US were not quite as threatening as they had previously seemed to be and that the Federal Reserve Board would perhaps not have to tighten its monetary policy further.

With fears about a further increase in US rates quelled for the time being, the yen also began a sharp rise against the dollar.

That, in turn, calmed fears about a resurgence of inflation in Japan. The Bank of Japan began to ease its squeeze on short-term rates and the way was clear for bond prices to revive smartly.

The question now is, with yields having dropped significantly, where does the bond market go in the new year? Most analysts still feel confident about the stability of Japanese interest rates. The economic environment continues to be very healthy, as shown by the recent publication of third quarter gross national product figures, up 9.3 per cent on an annualised basis. With the trade and current account surpluses rising again, many analysts expect the yen to continue rising. If it does, the Bank of Japan will have to defend the dollar with an easy money policy. Also, inflation pressures will subside.

Meanwhile, demand for government bonds, which had been fairly buoyant to begin with, is more likely to increase in the short term, as major corporations reporting record profits for the first half-term of this year will have more capital available for investment.

The high demand for bonds, according to Mr Mamoru Kawakami of The Mitsui Trust & Banking's bond trading department, stems partly from a relative lack of short-term possibilities for the enormous amount of liquidity available. Corporate lending opportunities are becoming scarce as capital investment, though still going strong, is beginning to slow down. Besides, companies with a need to procure funds have a variety of sources from which to do so.

What is giving the present government bond market its highly speculative character is, however, the likelihood that there will be a very tight market in the new year. The strong growth of the Japanese economy has meant that in the first half of fiscal 1988 the Government was able to realise a natural increase in tax revenues of 5.3 per cent over the same period a year ago, according to a recent report by UBS Phillips and Drew International.

The Japanese Government's goal, moreover, is to eliminate new borrowings by fiscal 1991. The increase in revenue, as well as government policy to reduce new debt, has encouraged the belief that there will be fewer government bonds issued next year. According to the Ministry of Finance the issue of government bonds budgeted for this fiscal year to next March is already lower at Y2,270bn, against Y2,450bn issued last year, but an increase in revenue could further reduce this amount.

All these factors suggest to many investors that yields will go still lower. They also think the Bank of Japan will be forced to lower official rates slightly to prevent the yen from rising too quickly.

The central bank has not been pleased by this thinking and has warned against expectations of lower official interest rates. The increase in official discount rates by the Bundesbank and other central banks in Europe this month once again raised fears of a hike in the US which, if it happened, would make it difficult for the Bank of Japan not to follow.

Perhaps yet again, domestic conditions will not in themselves be enough to sustain the present bullishness on the bond market.

Danish savings bank told to find a merger partner

THE BANK Inspectorate has told DK Sparekassen, the country's fifth largest savings bank, to find another bank to merge with to provide it with a sounder financial base, writes Hilary Barnes in Copenhagen.

The inspectorate said that the bank needed to increase its loss provisions, which are expected to be about DKr300m ($43.7m) on a balance sheet totalling about DKr10bn at the end of this year.

However, the bank continues to meet the legal minimum 8 per cent ratio of equity to deposits and guarantees, said Mr Per Nielsen, the chief executive. The savings bank made a loss of DKr123m before tax in 1987, when depreciation and loss provisions came to DKr129m.

DK Sparekassen was formed in 1987 through the merger of two savings banks from the mid-Jutland town of Horsens – Horsens Savings Bank and Oestjysk (East Jutland) Savings Bank – and Roskilde Savings Bank on Sjaelland.

The six largest savings banks have jointly guaranteed to provide additional capital for DK Sparekassen if money is needed and the National Bank (Central Bank) has promised to meet the bank's liquidity requirements. The bank is expected to find a partner among the larger savings banks.

The bank's losses are understood to have arisen primarily in investment projects undertaken by Horsens Savings Bank prior to the merger. Roskilde Savings Bank also brought considerable loss provisions with it last year.

A Jutland commercial bank, Holstebro Bank, was forced this autumn to seek a merger with Jyske Bank after making a heavy loss. The banks have in general suffered from an abrupt switch from booming conditions in 1984-86 to a recession in 1987-88.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday December 21 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Dec 20 Index No.	Mon Dec 19 Index No.	Fri Dec 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	766.13	-0.2	12.23	4.65	10.02	25.27	767.57	764.05	764.14	727.77
2 Building Materials (28)	924.41	-0.5	13.78	4.93	8.93	33.27	929.32	923.65	920.58	972.06
3 Contracting, Construction (39)	1449.32	-0.3	13.63	4.21	9.56	46.70	1453.75	1449.20	1439.74	1381.81
4 Electricals (10)	2250.02	-0.6	9.63	5.02	12.53	77.61	2264.47	2251.14	2252.78	2030.51
5 Electronics (30)	1752.40	+0.3	10.70	3.72	12.09	46.05	1747.82	1738.87	1752.41	1531.15
6 Mechanical Engineering (54)	403.38	-0.1	11.67	4.58	10.41	13.75	403.85	400.82	400.03	360.75
8 Metals and Metal Forming (8)	450.28	+0.4	16.78	6.42	6.79	14.31	448.57	446.80	447.61	430.37
9 Motors (16)	257.83	-0.6	13.11	5.27	8.81	9.80	259.17	257.85	258.04	268.98
10 Other Industrial Materials (23)	1292.10	-0.3	10.55	4.03	11.21	45.45	1295.86	1296.20	1292.87	1220.39
21 CONSUMER GROUP (188)	1005.75	-0.2	10.34	4.14	12.13	29.69	1007.67	1002.22	1001.13	1039.81
22 Brewers and Distillers (21)	1109.15	-0.5	11.47	4.02	10.89	30.86	1115.24	1113.85	1112.03	1080.14
25 Food Manufacturing (21)	985.91	......	10.11	4.25	12.42	27.16	986.19	981.68	899.19	846.04
26 Food Retailing (16)	1768.82	-0.1	10.27	3.96	12.82	51.41	1770.79	1757.59	1744.00	2070.75
27 Health and Household (13)	1770.76	-0.4	7.58	2.85	15.12	40.69	1777.24	1761.86	1762.74	1786.35
29 Leisure (31)	1331.75	-0.2	9.23	3.96	13.82	37.72	1334.73	1333.88	1330.23	1146.12
31 Packaging & Paper (17)	515.48	-0.2	10.82	4.37	11.50	16.19	516.44	511.97	509.04	505.09
32 Publishing & Printing (19)	3195.38	-0.1	9.57	4.80	13.07	106.59	3199.10	3174.65	3152.14	3347.10
34 Stores (34)	673.32	+0.2	12.63	5.11	10.40	23.22	671.76	668.61	673.93	859.05
35 Textiles (16)	448.75	-0.6	15.51	6.27	7.73	19.12	451.28	444.93	446.31	595.52
40 OTHER GROUPS (92)	886.26	......	11.85	4.87	10.31	28.79	886.51	880.98	879.20	857.46
41 Agencies (19)	1026.40	-0.2	8.76	2.75	14.32	21.23	1028.13	1012.12	1003.47	1056.77
42 Chemicals (22)	1005.62	-0.2	12.67	5.24	9.47	41.73	1008.12	1000.44	1002.03	1090.02
43 Conglomerates (12)	1239.49	-0.2	11.92	5.78	9.73	54.04	1242.11	1230.57	1220.40	1139.91
45 Shipping and Transport (12)	1846.93	-0.2	12.13	5.00	10.77	62.40	1850.21	1836.51	1820.72	1732.33
47 Telephone Networks (2)	995.55	+0.2	11.00	4.72	11.02	21.80	993.48	990.87	993.48	891.62
48 Miscellaneous (25)	1167.45	+0.1	12.34	4.70	9.21	41.15	1165.81	1162.17	1159.80	1176.67
49 INDUSTRIAL GROUP (488)	925.23	-0.1	11.28	4.48	10.96	28.96	926.58	921.54	920.63	918.52
51 Oil & Gas (12)	1749.40	-0.6	10.57	6.39	12.11	76.90	1760.09	1761.57	1786.69	1715.86
59 500 SHARE INDEX (500)	995.02	-0.2	11.18	4.75	11.11	33.01	997.12	992.60	993.78	986.04
61 FINANCIAL GROUP (123)	669.98	-0.5	–	5.32	–	26.51	672.99	672.23	671.29	653.07
62 Banks (8)	663.85	-0.5	21.35	6.53	6.20	32.18	666.99	665.07	667.69	660.24
65 Insurance (Life) (7)	931.60	-0.2	–	5.78	–	39.81	933.23	926.80	919.78	963.11
66 Insurance (Composite) (7)	521.36	-0.4	–	5.99	–	24.04	523.62	521.91	518.31	518.99
67 Insurance (Brokers) (7)	904.03	-0.1	9.60	7.19	12.90	46.87	904.85	909.60	909.11	913.56
68 Merchant Banks (11)	317.80	+1.3	–	4.72	–	10.93	313.69	313.19	312.95	351.11
69 Property (52)	1194.23	-1.0	5.90	2.80	21.36	25.65	1206.12	1211.36	1200.94	999.56
70 Other Financial (31)	341.91	-0.3	10.30	5.78	12.13	15.12	342.96	342.90	342.36	387.75
71 Investment Trusts (76)	909.96	......	–	3.32	–	20.26	910.42	905.09	903.55	799.10
81 Mining Finance (2)	553.88	+1.1	11.04	3.78	10.10	15.67	547.91	546.43	549.67	451.32
91 Overseas Traders (8)	1251.19	-0.1	9.38	5.06	12.36	44.98	1252.39	1256.43	1264.00	967.85
99 ALL-SHARE INDEX (709)	914.61	-0.2	–	4.78	–	30.85	916.64	913.05	913.81	895.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 20	Dec 19	Dec 16	Dec 15	Dec 14	Year ago
FT-SE 100 SHARE INDEX♦	1772.6	-4.8	1776.9	1771.8	1777.4	1770.5	1773.9	1763.2	1756.1	1771.4

FIXED INTEREST

PRICE INDICES		Wed Dec 21	Day's change %	Tue Dec 20	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.64	-0.03	118.68	–	11.35
2	5-15 years	133.84	+0.05	133.77	–	13.84
3	Over 15 years	146.52	.....	146.52	–	14.10
4	Irredeemables	169.42	-0.15	169.68	–	13.62
5	All stocks	131.03	+0.02	131.00	–	13.13
	Index-Linked					
6	5 years	129.50	-0.07	129.60	–	2.44
7	Over 5 years	126.29	+0.02	126.26	–	3.54
8	All stocks	126.35	+0.02	126.32	–	3.43
9	Debentures & Loans	116.17	+0.12	116.03	–	11.62
10	Preference	85.93	+0.20	85.76	–	6.41

AVERAGE GROSS REDEMPTION YIELDS			Wed Dec 21	Tue Dec 20	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.20	10.19	8.85
2		15 years	9.58	9.58	9.52
3		25 years	9.09	9.08	9.37
4	Medium Coupons	5 years	10.55	10.54	9.48
5		15 years	9.74	9.72	9.71
6		25 years	9.30	9.31	9.63
7	High Coupons	5 years	10.71	10.70	9.57
8		15 years	9.85	9.85	9.87
9		25 years	9.32	9.31	9.64
10	Irredeemables		8.97	8.96	9.29
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.75	3.72	3.61
12	Inflation rate 5%	Over 5 yrs.	3.77	3.77	3.95
13	Inflation rate 10%	5yrs.	2.48	2.43	3.41
14	Inflation rate 10%	Over 5 yrs.	3.60	3.60	4.03
15	Debs & Loans	5 years	11.55	11.48	10.96
16		15 years	11.25	11.25	11.05
17		25 years	10.96	10.97	11.10
18	Preference		10.44	10.46	10.64

♦Opening index 1774.6; 10 am 1776.9; 11 am 1773.6; Noon 1773.9; 1 pm 1772.1; 2 pm 1772.0; 3 pm 1772.5; 4 pm 1772.5; 4.05 pm 1772.5
(a) 10.16am (b) 2.35pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
CONSTITUENT CHANGES- Abbey Life Group(63) has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	36	53	22
Corporations, Dominion and Foreign Bonds	14	1	36
Industrials	298	380	905
Financial and Properties	117	159	396
Oils	28	23	54
Plantations	1	1	11
Mines	64	23	102
Others	79	65	103
Totals	637	705	1,629

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
58	F.P.	-	66	58	Apollo Metals 10p	65		R2.0	2.9	4.1	11.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Allied Lyons (*440)	420	3	46	56	4½	11	18
	460	6½	24	35	23	28	36
Brit. Airways (*165)	160	9	14	20	4	6	12
	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
Plessey (*218)	200	27	34	38	5	8	10
	220	14	22	26	12	15	18
Prudential (*153)	140	17	20	21	3½	6	5
	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Contracts 35,672 Calls 26,282 Puts 9,390
FT-SE Index Calls 2,184 Puts 1,496
*Underlying security price.

TRADITIONAL OPTIONS

● First Dealings Dec 19
● Last Dealings Jan 6
● Last Declarations Mar 30
● For settlement Apr 10
For rate indications see end of London Share Service

Calls in AmBrit, Cambium Vent, BSR Int, Stanley Miller, GEC, Atlantic Res, ERF, Thomson T-Line, Dixons, Amstrad, Rotork, PML, ICH, Br Steel, Dewey Warren. Put/Call Enterprise.

UK COMPANY NEWS

Pilkington cash offer for W German minorities

By Fiona Thompson

PILKINGTON, glass manufacturer, has made a cash offer for the minority interests in its two publicly quoted German subsidiaries, Flachglas and Dahlbusch Verwaltungs.

A wholly-owned German holding company, Pilkington GmbH, has been established to acquire the group's existing 79.5 per cent stake in Flachglas and 82.9 per cent in Dahlbusch.

The holding company will make a cash offer for the minority shareholders' interests at a total cost not exceeding DM353.7m (£110.5m).

Pilkington will offer DM577 for each Flachglas ordinary share, compared to a market price prior to the announcement of DM493; DM571 for each Dahlbusch ordinary share, compared to DM486; and DM1,131 for each Dahlbusch preference share, compared to DM825.

The cost of acquiring the minorities will be met from a DM320 issue of preference shares in the holding company to German institutional investors. Pilkington GmbH will meet the cost of purchasing the group's existing holdings in Flachglas and Dahlbusch from loans and overdrafts with an initial average interest cost of about 6 per cent.

The company said the benefits of the restructuring would include the pooling of management resources, and the enhanced ability of Pilkington to integrate its European flat and safety glass operations in preparation for the single European market in 1992.

Textron has 15% voting rights in Avdel

By Nikki Tait

TEXTRON, the large US conglomerate which earlier this week launched a £125.2m recommended bid for Avdel, yesterday went into the market for the UK fastener group's shares, and is believed to have acquired just under 15 per cent of the voting rights.

According to Seaq, about 33m shares were traded.

However, allowing for the two-way business and late dealings, it seems that Textron may have acquired something over 18m shares (of various classes).

When Textron announced its offer on Tuesday – at 92p a share, it trumped the 88p on offer from rival bidder, US-based Banner Industries – it stated that shareholders speaking for about 35 per cent of the voting rights had indicated a perference for the higher offer.

It was not clear what proportion of these shareholders had contributed to yesterday's purchases, but the figure is thought to be relatively small.

Banner, meanwhile, announced that it had notified Avdel that, once certain share transfers were registered, it intended to requisition an extraordinary general meeting at which it would propose that Mr Jeffrey Steiner, Banner's chief executive, and two representatives from its Rexnord fasteners division should be appointed to the Avdel board.

It said that this move was intended "to get board representation as soon as possible".

Trying to halt a relentless decline

Vanessa Houlder on BOM's plan to raise some much-needed cash

AT 9am tomorrow, in London's New Connaught Rooms, a new chapter will be opened in one of the stock market's most bizarre and colourful legends.

BOM Holdings, penny stock and perennial lossmaker, is staging an extraordinary general meeting to seek approval from its 23,000 shareholders for a £16.4m rights issue.

The issue is needed to inject more cash into a company that has over £12m of debts and a drastic shortage of working capital. It will also allow the drilling contractor turned furniture retailer to dabble indirectly in the volatile world of oil exploration.

The venture may well spark cynicism. Even among penny shares, BOM is infamous for the frequency with which past optimism has been dashed.

In 1980, Mr Paul Bristol, the mercurial former chairman, predicted that the company, then KCA International, would become "a major British force in the oil services industry comparable with the American giants."

Instead, the past eight years have seen a succession of disappointments and disasters, reflected by the relentless decline of its share price.

The shares have dropped to a tenth of their value since last year's stock market crash and to a mere 100th of their peak value eight years ago.

In this period, the business of BOM Holdings (formerly known as Bristol Oil & Minerals and before that as KCA International) has lurched from oil services through property development to kitchens and leather furniture.

En route it has seen a reverse takeover, a nine-month share suspension, qualified accounts, legal disputes and liquidity crises.

Now BOM proposes to transfer the rump of its oil and gas interests into a 15 per cent stake in Sladeshore, a newly-formed company, which has agreed to pay £29m for Kirkland Resources, a fledgling exploration and development company. In addition, BOM has a 15-month option to inject a further £7.3m to increase its stake to 30 per cent.

If the story of BOM resembles a soap opera, the air of unreality is furthered by Mr Michael Lucas, who took over as chairman earlier this year after the death of Mr David Bulstrode, the property developer. A self-made property magnate, Mr Lucas, aged 41, lives in an Essex mansion set in 800 acres, complete with private helicopter and polo field.

Mention of the barrage of criticism that has met his proposals makes him assume an injured air. He views the £60,000 a year he is paid as a modest sum and resents the "flak" thrown at him due to problems that he feels date back before his chairmanship.

At first sight, it may be hard to fathom why a multi-millionaire should choose to become involved in a public company hamstrung by debts and lawsuits. The answer lies in the company's 400 acres of land surrounding a disused oil refinery on the Medway in Kent.

This land was valued at the start of the year at £8.4m, a figure Mr Lucas claims is a gross underestimate. The CEGB is considering building a power station on the site. BOM is also seeking planning permission for industrial and commercial developments.

Under the stewardship of Mr Lucas, BOM has also taken on interests in retailing. In September 1987, it bought Albancode, a kitchen unit and leather furniture retailer, for £16.5m in shares.

Albancode was intended to generate cash while BOM sorted itself out. But so far, only Just Leather has lived up to expectations while the problematic kitchen business has made losses. Its reorganisation cost £179,000 and BOM now expects to pump £2.5m of the rights issue cash into it.

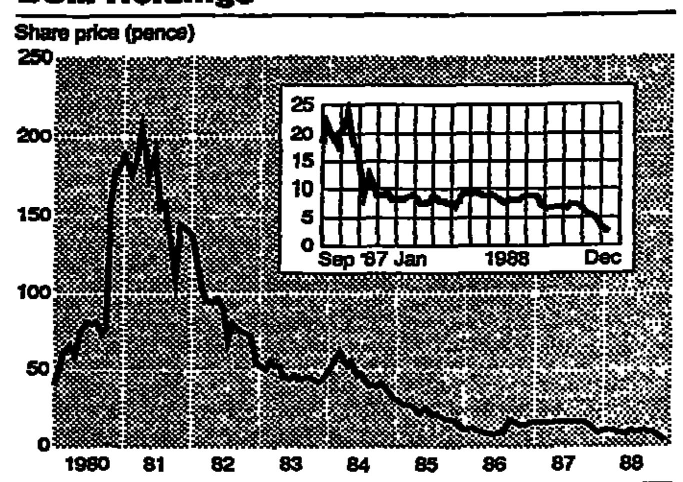
Why should BOM's long suffering investors consider investing more in the company? Powerful disincentives are the heavy debts and the three outstanding lawsuits, under which BOM could pay over £2m – although Mr Lucas is confident that they will be resolved for less.

Investors may also be disquieted by the oil venture which suggests parallels with BOM's ill-fated scramble for oil assets five years ago. On this point, however, Mr Lucas admits no doubts. He cheerfully predicts that Kirkland could be worth £200m within 18 months.

Yet according to Mr Lucas, the most persuasive case for investing in BOM is the potential value of its assets. His personal opinion of their worth suggests that the 1bn shares in issue after the rights issue, at 2½p a share, will each have asset backing of 4.75p.

Mr Lucas, who has a 12.8 per cent stake in the company, says he is backing his judgment by taking up his rights. However, given BOM's troubled legacy and unpredictable future it is perhaps only the most courageous or credulous who will follow suit.

BOM Holdings



Framlington pays £9.4m for 45% of PBGA

By Nikki Tait

Framlington Group, the fund management concern taken over this year by Throgmorton Trust, UK investment trust, yesterday announced that it was paying $17m (£9.4m) for a 45 per cent profit participation interest in Pilgrim Baxter Greig & Associates, US fund management group.

Framlington has also acquired an option to buy the entire business within three to five years. Yesterday, the UK company said that the purchase price involved would be profits-related, and it expected that the sale multiple would be around 10 times historic earnings.

When Throgmorton took over Framlington, it suggested that the company could be refloated at some stage in the future.

Yesterday, the UK group was suggesting that one possible scenario would be for Framlington to buy out the PBGA business for a paper consideration at a point when its shares were quoted again.

PBGA is based in Wayne, Pennsylvania, and has funds under management of $1.2bn. The vast bulk of these are concentrated in the pension fund management business.

OT&T further loosens shipping ties by pulling out of Barber Blue Sea

By Ray Bashford in London and Karen Fossli in Oslo

OCEAN TRANSPORT and Trading, international distribution services group, has further loosened its historic ties with the shipping industry by withdrawing from the Barber Blue Sea joint service venture.

The company had a 30 per cent stake in BBS, with the remaining stakes held by Wilhelm Wilhelmsen (50 per cent), the Norwegian shipping group, and Transatlantic.

OT&T provided two roll-on, roll-off ships, which have been sold to Scandinavian buyers and will be operated by members of the Wilhelm Wilhelmsen group.

The Norwegian group yesterday also announced the establishment of Wilhelmsen Lines following the acquisition of the OT&T ships. The Wilhelmsen parent will take a 55 per cent stake in the new company with the remainder held by three Finnish companies which have injected more than $65m (£36m). A total of $250m will be injected into the company by way of equity and loans.

BBS has been the source of prolonged difficulties for OT&T and the withdrawal is an important part of group strategy to reduce its involvement in the shipping industry while developing its freight forwarding, environmental services and warehousing and distribution businesses.

As evidence of the problems that BBS has posed, losses on the sale of the two ships, estimated at £26m, will be carried as an extraordinary item in the accounts.

OT&T incurred a trading loss before tax of £100,000 in the first half of the current year. The net cash consideration after tax for the sale of the ships, the Barber Perseus and Barber Hector, is $46m.

Mr Nicholas Barber, OT&T chief executive, had announced earlier this year that the company was negotiating its withdrawal from BBS.

The remaining shipping interests are in West Africa where OT&T operates four ships in the Elder Dempster company. Mr Barber said he hoped there would be restructuring which would allow for improved economies of scale.

OT&T has also made two US acquisitions in the US freight forwarding business for a total of $15.5m.

Kelt has 77% of Carless

By Nikki Tait

Kelt Energy, the oil independent which has been waging a £206m bid for the larger Carless group, yesterday announced that it had passed the significant 75 per cent control level.

Kelt said that, by Tuesday night, it either owned or had acceptances in respect of 76.85 per cent of Carless's shares. The offer has already been declared unconditional as to acceptances.

Piccadilly and Midlands Radio in £13m merger

By Raymond Snoddy

TWO OF Britain's largest commercial radio stations, Piccadilly Radio in Manchester and Midlands Radio Holdings, operators of the Birmingham and Coventry franchises, are to merge.

The aim is to create a larger company better able to face Government plans for deregulation, including three new national commercial channels and several hundred local and community stations. The deal is the latest in a string of agreed mergers and takeovers within the industry.

Mr Derek Boothman, chairman of Piccadilly said: "We believe the merger will take the new company on to the high ground within our industry."

That company, to be called Piccadilly Communications, will account for about 13.7 per cent of the potential commercial radio audience in the UK.

The terms of the recommended offer, which values Midlands at £13.1m, are:

● 11 new Piccadilly voting and 33 new non-voting shares for every 4 new Midlands shares.

● A cash alternative of £13.53 for each new Midlands share.

Each Midlands share is valued at £18.6 with an additional special dividend of 21p per share. Piccadilly has received undertakings to accept either the offer or the cash alternative from holders of 51.8 per cent of Midlands issued share capital.

Mr Boothman will be chairman of Piccadilly Communications and Mr Colin Walters, the present managing director of Piccadilly Radio, will be chief executive.

Both Mr Walters and Mr Ian Rufus, managing director of Midlands Radio and deputy chief executive of the new company, said the aim of the merger was to strengthen and expand the company and that no jobs would be lost.

In the year to September pre-tax profits of Midlands, itself formed from the merger of BRMB in Birmingham and Mercia Sound in Coventry, were £1.1m on £5.1m turnover.

Camford shares jump following market raid

By Clay Harris

Shares in Camford Engineering, Stevenage-based motor components group, jumped 19p to 185p yesterday after an attempted market raid by Markheath Securities, UK investment vehicle of Mr John Spalvins, Australian entrepreneur.

On Markheath's behalf, stockbroker James Capel went into the market seeking up to 1.9m Camford shares at 190p. The share price rose quickly over this level, and Capel later withdrew the buy-order.

If the raid had been successful, Markheath's stake would have risen from 11 per cent to 21 per cent. Markheath last night refused to comment on the raid or its intentions.

At yesterday's closing price, Camford is capitalised at £37m.

On Monday, Camford shareholders approved the relocation of the George W King manufacturing subsidiary despite the opposition of Markheath, which said it wanted more time to submit alternative proposals.

UK COMPANY NEWS

Rockware acquires 75% stake in Dartington Glass

By Maggie Urry

ROCKWARE, one of the leading UK glass companies, is buying a 75 per cent stake in Dartington Glass, in its first move into branded goods. Dartington, which was founded by Dartington Hall Trust, an educational charitable trust, 21 years ago, is well known for its ranges of glass tableware such as drinking glasses, decanters, jugs, vases and candlesticks. It dominates the uncut crystal market in the UK. The Trust is retaining a 25 per cent stake.

Mr Eric Dancer, managing director of Dartington Glass, said the company was at a stage of its development when it needed to be part of a larger group which could devote resources to its expansion. Six years ago the Trust had sold a 50 per cent stake in Dartington Glass to Wedgwood, the china group, but bought it back two years ago when Waterford Glass acquired Wedgwood.

The purchase price is £3.7m in cash, valuing the whole of Dartington Glass at £4.9m. Last year its turnover was £6.5m and profits before tax and covenant payments to the Trust, were £334,000. This year Dartington Glass is expected to make a profit of over £500,000. It has been recovering from a difficult period following the death of Mr Frank Thrower, its chief designer.

Mr Frank Davies, chief executive of Rockware, said he was keen to build strong positions in niche markets as well as having major shares in commodity markets. He said Rockware is backing the trend back to glass as a quality product.

Dartington's products are sold mainly through large retailers, although a shop on the premises in South Devon has a good tourist trade. Much of the glass is bought for gifts, but the company is not overly-dependent on Christmas.

BSG expands in W.Germany

By Fiona Thompson

BSG INTERNATIONAL, Birmingham-based motor distributor, automotive components and consumer products manufacturer, yesterday announced that BSG International GmbH, its wholly-owned West German holding company, has acquired Teutonia, manufacturer of prams and pushchairs based in Hiddenhausen, West Germany.

BSG will pay a total of DM 19.64m (£6.16m) cash for Teutonia, DM 18m on completion in January next year and the balance when audited accounts for the year to December 31 1988 confirm that net assets of Teutonia are not less than DM 3.72m. In addition, BSG will repay vendor loans totalling DM 2.5m over a three year period.

Teutonia's adjusted pre-tax profits for the year to December 31 1987 were DM 2.22m. For the 10 months to October 31 1988, the pre-tax figure was DM 2.8m.

Ashtead £5.79m purchase

By Vanessa Houlder

ASHTEAD GROUP, the USM-quoted plant hirer, is increasing its geographical coverage with the proposed acquisition of a fellow plant hire company, Reliant, for an initial £5.79m.

The deal, which is its seventh acquisition since 1984, will increase Ashtead's depot coverage by 50 per cent. Reliant has 16 depots, based in the West Midlands, north west England, south east Scotland, South Wales, the West Country and the Home Counties.

Reliant has guaranteed minimum pre-tax profits of £1.06m for the 13 months to the end of December 31, representing an exit multiple of 8.4 times. The company has also guaranteed that it will have net assets before provision for tax of £2.5m.

The payment will take the form of 1.89m new shares at 240p per share and loan notes with a nominal value of £1.25m. In addition, a further 1.1m new shares raising £2.7m will be issued to cover acquisition expenses and provide additional working capital.

Shareholders are being given the right to take up shares, the bulk of which have been placed with institutions, on a 1-for-5 basis at 240p each.

Simon in further paper move

By Clare Pearson

SIMON ENGINEERING, the diversified process plant contractor, has acquired the nucleus of a new paper engineering division with the £10.5m purchase of Holder Pamac, a specialist in the extension, refurbishment and upgrading of paper mills.

Simon Engineering's aim is to control in a few years' time about 10 per cent of the refurbishment sector of the world paper mill market, which is growing by about 10 per cent per annum.

The initial consideration of £7m for Holder Pamac is to be satisfied by the issue of 2.59m new ordinary shares, 1.85m of which will be placed to raise cash of about £4.9m for the vendors. A further payment of £3.5m is deferred for up to four years.

In 1987 the group, which comprises three privately-owned companies, made pre-tax profits of £1.1m on turnover of £13m. Net assets stood at £2.5m.

Simon is already involved in the paper industry through a number of its subsidiaries. This is the second acquisition it has announced this month, following its £4.63m cash purchase of an Australian access equipment concern.

IMI fluid control side in German expansion

By Richard Tomkins, Midlands Correspondent

IMI, the Birmingham-based industrial group, yesterday reinforced its claim to world leadership of the fluid control market with the acquisition of Lintra Lineartransporter of West Germany for DM28m (£8.75m) in cash.

The privately-owned Stuttgart-based company has a strong position in the world market for pneumatic rodless cylinders. Its two main competitors are Origa and Mecman, both of Sweden.

Rodless cylinders offer an important space saving benefit to engineers because the piston inside connects through a sealed slot that runs the length of the cylinder, instead of using a connecting rod that doubles the length of the device when fully extended.

IMI's fluid control subsidiary, Norgren Martonair, already owns 25 per cent of Lintra. Yesterday's deal gives it total control together with exclusive access to five strong Lintra patents that have about 14 years to run.

Dr Trevor Lamb, Norgren Martonair's executive chairman, said Lintra had annual sales of nearly DM10m, but he expected the figure to grow as the product's potential was exploited through IMI's worldwide distribution network.

Dr Lamb said Lintra' pre-tax profit was likely to fall between £1.5m and £2m for 1988. He estimated the exit price/earnings multiple to be 12½, but said rapid synergistic and rationalisation benefits would make the prospective multiple very much lower.

Peel attacks London Shop asset growth

By Paul Cheeseright, Property Correspondent

PEEL HOLDINGS yesterday went back on to the offensive in its struggle to take over London Shop for £282m, claiming that London Shop has fallen behind other property investment companies in the growth of its net asset value.

It was the latest sally in what has turned into a ritual but verbal war dance between the two companies in anticipation of London Shop's disclosure of a revised valuation for its property portfolio.

The claims by Peel were clearly aimed at neutralising the claim by London Shop at the weekend that its property portfolio had comfortably outperformed comparable institutional portfolios.

Peel switched the basis of comparison by charging that London Shop's growth of net asset value was lower than that of eight other property investment companies even though its portfolio is said to be "unique".

London Shop plans no formal riposte to the latest attack by Peel, but Mr John Bushell, the chairman, said that Peel was now "desperately searching for grounds on which to attack us." London Shop was an investment company and happy to remain so, he added - development is simply an adjunct to the main line of business.

There will not be a Monopolies referral.

ASD pays £6.75m for Welbeck

By Fiona Thompson

ASD, the third largest steel stockholder in the UK, is to purchase Welbeck International, privately-owned steel importer, processor and stockholder, for £6.75m.

Of this, £738,300 will be satisfied by the issue of 172,500 ordinary ASD shares at 428p with the balance in cash on completion.

Welbeck is based at Barking, Essex, where it has a 10.5 acre freehold site with modern warehousing, wharf facilities capable of handling two 2,500 ton vessels simultaneously.

The acquisition is conditional on Welbeck reporting pre-tax profits of not less than £725,000 for 1987/88.

Nat Telecommunications buys £7m mobile phones

National Telecommunications, is moving into mobile communications. The telephone systems group is to pay a total of £7m for Tactico, supplier of mobile radios, cellular telephones.

NT is buying out Evered Holdings which holds 84.2 per cent of Tactico and Mr Ian Dalgleish, Tactico managing director, who owns the balance.

The acquisition is to be funded by the issue of nearly 5m new shares together with 700,000 convertible redeemable shares and £1m in loan notes.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Arlen ......int	1.1	Mar 29	1	-	3
Batleys ......int	0.5	-	0.5	-	2.4
Electronic Data ......fin	1.725	Apr 6	1.45	2.375	2.1
IOM Enterprises ......fin.	2.25	-	1.625	2.25	1.625
Sterling Inds ......int.	1.1	Feb 15	1	-	3.4
Windsor ......fin	nil	-	0.5	nil	0.8

Dividends shown pence per share net except where otherwise stated.

COMPANY NOTICES

News Digest

BATLEYS

Expansion costs take their toll

Expansion costs hit Batleys, cash and carry wholesaler, in the half-year to October 29. After interest costs soaring to £507,000, from £152,000, the pre-tax profit fell from £628,000 to £521,000.

Sales in the half-year advanced to £155.5m (£122.11m) and operating profit to £1.03m (£780,000). On earnings of 2.1p (2.56p) per 10p share, the interim dividend is held at 0.5p.

SALE TILNEY

Buying Telsa for £6m cash

Sale Tilney, which has interests in engineering, trading, insurance and financial services, is paying £6m cash for Telsa Engineering, a specialist designer and maker of electromagnets. Funding will come from a medium-term bank loan.

In the year to September 30 Telsa's turnover was £4.56m and pre-tax profit came to £2.1m.

Sale Tilney said it did not anticipate that group earnings per share would be diluted by the acquisition.

NORTH WEST EXPLORATION

Going for USM quote

In a letter to shareholders, the Duke of Abercorn, chairman of North West Exploration the group intended to obtain a USM quote and raise funds for further exploration and development of its mineral and petroleum interests.

DRG

$6m US purchase

DRG has acquired Modern Packaging, of New Jersey, for $5.7m (£3.14m). Modern is said to be the fifth largest supplier of sterilisable pakaging products for the health care industry.

COURTNEY POPE

Acquisition of Quickwood

For an initial £4.55m in cash, shares and loan stock, Courtney Pope Holdings is buying the Quickwood group.

COMMODITIES AND AGRICULTURE

Tainted Irish meat sparks inquiries

By Bridget Bloom in London and Tim Dickson in Brussels

THE BRITISH and Irish Governments are to launch separate inquiries into reports that contaminated meat destined for processing into hamburgers and other products has been coming regularly into Britain from the Republic of Ireland.

The enquiries follow revelations that such meat has been found by local environmental health officers in at least 25 consignments arriving at a processing plant in south-west England.

Yesterday Mr Ian Holmes, chief environmental health officer of Carrick County Council in Cornwall, said there were three distinct problems with meat examined by his officers at the Mid-Cornwall Meat Packers.

● Some meat had come from arthritic, emaciated or otherwise sick animals and "should never have left the slaughterhouse."

● Some consignments, of possibly higher quality meat, instead of being throughly chilled before being packed into refrigerated vans for a journey of several days had been packed warm and thus arrived contaminated.

● Meat was arriving in vans containing animal foetal matter "clearly brought in on boots."

The consignments all carried the necessary export certificates and the stamp of Irish health inspectors, Mr Holmes said. Quantities destroyed in each container varied between a few carcasses and several tonnes of meat.

Yesterday Mr John MacGregor, the British Minister of Agriculture, in answer to a question from Mr Matthew Taylor, Democrat MP for Truro, was at pains to assure the House of Commons that meat from the Cornish plant had not entered the human food chain.

The fact that inspectors had been at the Cornish plant for three months and had rejected the contaminated meat was proof that Britain's inspection system worked, he said.

However, the incident has clearly embarrassed the British Government, coming as it has on top of the three-week-old crisis over the health status of British eggs.

Suggestions by Mrs Edwina Currie, then junior health minister, on December 2, that "most egg production" was infected with salmonella have led to a sharp decline in egg sales.

To arrest this, Mr MacGregor announced only on Monday a £19m government scheme, which began yesterday, to buy in surplus eggs and kill some 4m chickens over the next four weeks.

Suggestions that the Cornish incident was an isolated one were challenged yesterday by Mr Holmes.

In an interview he said that he had been contacted by several other local authorities in Britain about "identical" problems, though to name those authorities at this stage might prejudice the inquiries.

Britain has lodged a formal complaint with the Irish Government, which is reported to be trying to track down the suppliers of the tainted meat.

Some 100,000 tonnes of beef is imported into Britain each year from Ireland, in a trade regulated by detailed EC rules governing the public health aspects of cross-border trade in meat and meat products. These cover such things as the conditions under which meat can be produced and cut up, the premises where the work is done, and the transportation of animals across Community frontiers.

Strictly speaking checks should be made – and health certificates provided – by the exporting country, thereby obviating the need for further controls at the final destination.

Routine border investigations by EC member countries are not permitted under the Community's rules but spot checks can still be carried out, especially if there are reasonable grounds for suspicion of irregularities.

In theory even these spot checks will be prohibited when the remaining European trade barriers are dismantled with the advent of the EC's so-called "single market" 1992.

The logic of the single market, however, goes further than this as the distinction between domestic sales and exports finally disappears.

As an explanatory memorandum on the subject put out by the Commission earlier this year spelt out, "the final objective must be the application of the same health controls to animals and animal products whether they be destined for the national market or for intra-Community trade."

Christmas cheer for Israeli growers

By Laura Blumenfeld in Jerusalem

ISRAELI CARGO handlers are working overtime to meet record demand for the country's fresh produce, for delivery before Christmas. Over the past three weeks, 15,000 tonnes of produce has been despatched, 50 per cent more than in last year's holiday season.

El Al, Israel's national carrier and KAL Cargo Airlines have despatched an additional 45 cargo flights bound for European and American markets during the past two weeks alone. The near 6,000-tonne airlift includes flowers, strawberries, melons, dates and tomatoes.

The surge in demand has finally laid to rest Israeli growers' fears of a consumer boycott by Europeans in protest over the year-old Palestinian uprising. Anxieties have instead given way to celebrations, as their produce is being snatched up at record prices.

The cost of persimmons, for example, has doubled compared with last year, to $3,000 fob per tonne. Israeli strawberries fetched an unprecedented $11,000 fob in Britain this week. Avocados, which were averaging $1,450 fob per tonne last December, were on sale for $1,900 per tonne.

A contract was signed recently between the Israel Association of Date Growers and Agrexco, the state-marketing board, earmarking 900 tonnes of dates for export to Britain.

According to Agrexco, during the past six months a total of 1,650 tonnes of fresh and dried dates have reached Switzerland, France and the UK in anticipation of Christmas sales.

Even the humbler vegetables are fetching good prices. Some 65 tonnes of greenhouse tomatoes were shuttled across the Mediterranean last week to buyers in West Germany and the US who paid $2,100 fob per tonne.

Coffee surges on supply fears

By David Blackwell

COFFEE PRICES rocketed in London yesterday after a dramatic overnight surge in the New York market, spurred by fears of tight supplies.

"I would sum it up in one word – panic," said one analyst.

On Tuesday night the New York arabica contract for May closed at 153.43 cents a lb, a rise of more than 10 cents and a two-year high.

The London Futures and Options Exchange (Fox) robusta contract for March responded yesterday morning by opening with gains of more than £60 a tonne. It closed at £1,235 a tonne, a rise of £53 from Tuesday's close, after touching £1,285 a tonne at one stage.

The gains reflect growing concern about the prospects for the Brazilian crop, as well as delayed harvests in Central American countries. In addition, Brazilian shipments are being disrupted by a port workers' strike.

The markets have been rising steadily in response to reports from Brazil which suggested a crop of only half the initial estimate of 40m bags (60 kg each) for 1989/90. The Brazilian Coffee Institute (IBC) this week forecast a crop of 22.9m bags,but London analysts believe this figure could be too high.

The International Coffee Organisation (ICO) will today announce a further increase of 1m bags in the total world export quota to 58m bags. The increase will be triggered because the ICO 15-day indicator will be above 114.40 cents a lb. Yesterday the ICO 15-day indicator was 119.68 cents a lb.

However, as Mr Arthur Cherry, coffee analyst with ED & F Man put it yesterday, "you cannot roast export stamps. The roasters have been rather too relaxed for too long – they held off believing the price would not recover."

Supplies are set to remain tight in the short-term, he believes, keeping prices high and stopping an export quota cut on January 2, when the ICO will once again be trying to defend a price range of between 120 and 140 cents a lb.

The ICO composite daily indicator was 132.08 cents a lb yesterday. At current market levels the 15-day indicator is set to be well above 120 cents a lb in the New Year.

Metal traders' diminishing role

By Kenneth Gooding, Mining Correspondent

ONLY THE very small and the very large independent metal trading companies are likely to survive as the metal producing groups push further into the trading business.

This is the main conclusion of a report from the Commodities Research Unit, the London consultancy organisation.

It says that the barriers between metals trading and producing companies have been greatly reduced "and will be further reduced."

The author, Mr Christopher Stobart, the CRU's director, consultancy, suggests that trading companies exist to do what the metal producing companies cannot do. "As the producers enlarge their marketing functions, the role of the independent trading company is diminished.

"We believe the process has not yet run its course and that producers will absorb into their sales and marketing structures more of the functions that are now carried out by traders."

The CRU sees the emergence of three catagories of trading company:

● The low-cost, specialist trading company operating only in a restricted area or a few commodities and able to work on very small margins.

● The large, well-capitalised trading company able to make substantial financial commitments and take large positions. "Such companies in effect are turning themselves into producers by taking long-term equity-type risks in securing supplies of metal." The CRU suggests that the Marc Rich organisation and Philipp Bros fit this description.

● The producer-owned trading company. "The many medium-sized companies that lie between the two previous catagories need a new source of competitive strength. They may find it through a close union with a producing company or they may come to be replaced by producer-owned companies."

Among the benefits for producers moving into trading, the CRU cites returns on equity of 25 to 35 per cent "and higher figures are possible."

Information is gathered more quickly from the market place and trading often enables a producer to diversify and enter a new market.

The potential problems include conflicts of management style; conflicts of interest; restrictions on a trader's freedom of action and unfamiliar financial risks.

The CRU says that some producers have successfully cleared these hurdles and quotes as examples Alumina (a department of the state-owned Italian group); Cuprolex (owned by Pechiney); Noranda Mining; Possehl Montan-Handelsgesellschaft and Ayrton Metals (owned by Impala Platinum). Metallgesellschaft is an example of a trading company which successfully reversed the trend and expanded into production.

Traders once had an advantage over producers in up-to-date information from their worldwide contacts and in their understanding of the techniques of physical and terminal market trading, the study points out.

"Both these barriers have been substantially eroded. Communications systems make market prices and information available equally quickly to producers, consumers and traders. Techniques of trading are widely understood outside the trading industry.

"Producers are tending to become larger, more international and more complex. They can therefore justify doing for themselves many tasks which were previously sub-contracted to traders. In the coming years producers will increasingly absorb the functions of metal traders," the CRU concludes.

● The London Metal Exchange has issued details of the names and locations of 36 warehouses in Japan it has listed as delivery points for aluminium from July 19 next year. Sixteen are in Yokohama, 11 in Osaka and the rest in Nagoya.

"Can Producers Profit from Trading Metals?" £7,250 from the CRU, 31 Mount Pleasant, London WC1X 0AD.

China is to ban the export of copper, aluminium, nickel, platinum and yellow phosphorus from January 1 because of severe shortages in its domestic market, Reuter reports from Peking.

Exports of 12 other materials, including chromium ore, molybdenum ore, metallic magnesium, metallic manganese, ferrochrome, ferromanganese and rubber, will be strictly limited.

The ban was widely expected because China told international buyers in the summer that it was going to cut metal exports.

The newspaper Economic Information quoted Liu Suinian, the Materials Minister, as saying that shortages of such materials as cement, bricks and sandstone should ease next year as the austerity programme curbed capital investment and slowed industrial growth.

But shortages of steel plate and non-ferrous metals were hard to alleviate quickly, he said. China was short of foreign exchange and could not increase imports, the minister added.

EC farmers face stringent fertiliser curbs

By Tim Dickson

LARGE NUMBERS of European Community farmers will have to cut their use of fertilisers and manure if new proposals to reduce the level of nitrates in water are approved by member states.

The plans, agreed yesterday at a meeting of the European Commission in Brussels, will significantly affect intensively farmed land in the Northern part of the Community, notably in the Netherlands, Belgium, the UK and parts of West Germany.

The Commission believes that the measures are needed because of the recent rapid build up of nitrates in drinking water, in the sea, and in surface water across the EC.

Existing legislation currently protects human health by setting a maximum level of nitrate in drinking water of 50mg per litre and requiring treatment when this limit is exceeded. But officials in Brussels say that preventive action to stop a build up is the only satisfactory long term solution.

Such a policy, they say, will also help in tackling the other major problem, eutrophication, when the level of nutrients, particularly in sea water, stimulates the growth of plant life and algae, causing extensive damage to fish and other organisms.

"We have already seen the disastrous consequences of rising nutrient levels in the seas resulting in the blooms of algae in the North Sea, the Baltic and the Adriatic," Mr Stanley Clinton Davis, the EC's Environment Commissioner said yesterday. "This problem is on a Community scale and must be dealt with accordingly."

The Commission's proposed directive sets out a framework for action, but puts the onus on individual member states to come up with a specific programme for so-called "vulnerable zones", where the problems of nitrogen pollution are most severe. Four means of controlling the source of the nitrates are envisaged.

● Clear limits would be set on the quantity of manure which farmers could apply to their land. This restriction is not defined in kilograms or tonnes but in terms of "animal units" - typically the amount of manure allowed for each hectare would be that produced by two cows or their equivalent.

● Member states would decide the appropriate limits for chemical fertilisers, taking into account the rates at which different crops take up nitrogen and the existing level of nitrogen. Rules covering fertilisers and manure would control their use on waterlogged, flooded and frozen ground.

● EC countries would have to ensure that municipal sewage discharged in vulnerable zones from a population of 5,000 people or more did not exceed a concentration of 10 mg per litre.

"The proposals have been designed to give member states maximum flexibility," a Commission official explained yesterday, "but not to enable them to avoid tackling the problems."

Crown Commissioners keep control of seabed leases

By James Buxton, Scottish Correspondent

THE UK Government is to keep the system whereby control of the marine fish farming industry is largely in the hands of the Crown Estate Commissioners, who alone have the power to allocate seabed leases to fish farmers.

With the rapid growth of salmon and shellfish farming in the highlands and islands of Scotland there has been criticism by conservation groups of the lack of an overall strategy for the development of the industry, while local authorities have called for the development of the industry to be brought into the planning system.

But Mr Malcolm Rifkind, the Scottish Secretary, has decided after a review to keep the present system by which the Crown Estate Commissioners issue leases after wide consultation with interested bodies. He said there was little criticism of the handling of particular applications by the Commissioners.

He said that to bring fish farming under planning control would require legislation and raise difficult issues about what other offshore development should be covered by planning control. An applicant might receive planning permission but still fail to obtain a lease from the Crown Estate.

But to deal with particularly contentious cases the Government is to appoint an advisory committee on which several bodies, including conservation organisations, will be represented.

Bulgaria buys NZ goats

By Dai Hayward in Wellington

A flock of 150 pure bred angora goats have been sold to Bulgaria by a New Zealand animal export company.

The goats were isolated from 600 others for several weeks before their departure by air to a government farm in Bulgaria.

The order is part of the Bulgarian Government's efforts to diversify its farming industry.

LONDON MARKET STATISTICS

LONDON MARKETS

COPPER prices continued Tuesday's advance on the London Metal Exchange yesterday, supported by overnight news of a force majeure on sales at Magma Copper's San Manuel smelter in Arizona. Three-month metal closed £26 a tonne up at £1,743.50 a tonne. Nickel prices also continued their strong upward trend, fuelled by concern over metal availability and good physical demand, dealers said. Three-month metal rose by $1,050 a tonne to $18,350 a tonne, equivalent to $8.32 a lb. Dealers believe the market could soon test the $9 a lb level. On the bullion market platinum continued to recover from the news of Ford's platinum-free car exhaust catalyst as Johnson Matthey followed Rustenburg Platinum Holdings with a bullish statement saying the metal would retain its leading role in catalyst production.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.80-2.90w	+0.25
Brent Blend	$15.25-5.30q	+.225
W.T.I. (1 pm est)	$16.40-6.43w	+0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-175	
Gas Oil	$151-153	+2
Heavy Fuel Oil	$74-75	+4.5
Naphtha	$140-142	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$416.50	+1.75
Silver (per troy oz)♣	614c	+2
Platinum (per troy oz)	$541.0	+8.5
Palladium (per troy oz)	$136.25	-1.35
Aluminium (free market)	$2475	
Copper (US Producer)	161⅝-167c	+2⅞
Lead (US Producer)	41¾c	
Nickel (free market)	890c	
Tin (European free market)	£4150.0	-2.5
Tin (Kuala Lumpur market)	19.84r	-0.01
Tin (New York)	345.25c	-0.25
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72⅞c	
Cattle (live weight)†	113.50p	-2.24*
Sheep (dead weight)†	170.15p	+4.65*
Pigs (live weight)†	82.99p	+1.53*
London daily sugar (raw)	$281.8u	+7.8
London daily sugar (white)	$283.0u	+8.5
Tate and Lyle export price	£265.5	+5.5
Barley (English feed)	£112.5q	-1.5
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£119.5v	
Rubber (spot)♥	55.00p	-0.75
Rubber (Jan)♥	61.75p	-0.75
Rubber (Feb)♥	62.25p	-1.00
Rubber (KL RSS No 1 Jan)	285.0m	-2.5
Coconut oil (Philippines)§	$585z	
Palm Oil (Malaysian)§	$400q	
Copra (Philippines)§	$380	
Soyabeans (US)	$186.5q	-1.0
Cotton "A" index	82.25c	+0.20
Wooltops (64s Super)	637p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	862	832	862 856
Mar	893	860	895 881
May	888	860	892 880
Jul	889	864	890 885
Sep	890	866	890 884
Dec	907	885	908 900
Mar	917	892	918 912

Turnover: 7611 (4026) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 20: 1106.42 (1094.64):10 day average for Dec 21: 1082.06 (1082.59).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1220	1165	1266 1206
Mar	1235	1182	1285 1210
May	1222	1174	1277 1215
Jly	1220	1174	1270 1225
Sep	1220	1176	1270 1221
Nov	1228	1178	1260 1249

Turnover:10825 (5918) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 20: Comp. daily 132.08 (128.32); . 15 day average 119.68 (118.43).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	249.60	254.00	255.00 249.00
May	246.40	251.00	251.00 246.20
Aug	238.60	244.00	242.00
Oct	235.60	238.60	237.00
Dec	236.00	233.60	233.20 233.00
White	**Close**	**Previous**	**High/Low**
Mar	284.00	288.50	288.00 284.00
May	280.50	284.50	283.60 282.00
Aug	281.00	285.50	283.50 282.00
Oct	274.50	278.50	277.50 273.00

Turnover: Raw 2027 (2760) lots of 50 tonnes. White 1936 (1646).
Paris- White (FFr per tonne): Mar 1722, May 1700, Aug 1705, Oct 1685, Dec 1655, Mar 1655

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	174	182	6	84
2450	94	130	25	130
2550	40	89	69	187
Copper (Grade A)	**Calls**		**Puts**	
3000	407	319	9	165
3200	239	221	40	264
3400	117	148	116	366

WOOL
Australian wool markets remained on a dearer trend at the final sales before the christmas recess. There is talk of revived demand from China and Russia in the second half of the season. It is difficult to match this bullish approach to world wool values with similar buoyancy in any part of the UK trade, or even that on the continent of Europe. In the UK especially the impact of high interest rates is severe. Reluctance to hold stocks or dispose of them quickly to cut down on future costs means that prices are competitive and trading short-term. In addition, the retail trade is far from confident and happy and buying support is not strong. From a manufacturing point of view christmas holidays stretch until the new year.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,250 tonne
Cash	2500-10	2480-90	2497/2495	2495-7		
3 months	2420-5	2410-4	2435/2415	2415-20		23,841 lots
Copper, Grade A (£ per tonne)						Ring turnover 18,425 tonne
Cash	1918-22	1890-3	1928/1922	1921.5-2.5		
3 months	1743-4	1717-8	1745/1737	1742-3		68,202 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	608-11	608-11		610-1		
3 months	622-5	622-5		624-5		482 lots
Lead (£ per tonne)						Ring turnover 11,825 tonne
Cash	406-8	403-5	405/404	403.5-4		
3 months	388-9	395-6	401/397.5	397.5-8		10,615 lots
Nickel ($ per tonne)						Ring turnover 2,856 tonne
Cash	20350-400	19650-850	20400/20000	20100-200		
3 months	18300-400	17250-350	18400/17500	17800-900		5,438 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,350 tonne
Cash	1580-5	1560-5		1582-7		
3 months	1550-5	1545-7	1554/1553	1553-4		1,987 lots
Zinc ($ per tonne)						Ring turnover 16,000 tonne
Cash	1580-5	1577-82	1587	1587-90		
3 months	1540-1	1527-9	1545/1532	1540-2		12,144 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	70.0	68.0	
Apr	89.9	89.6	90.3 89.6
May	104.8	104.0	104.8 104.0

Turnover 96 (167) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	164.50	167.00	
Apr	167.50	170.00	162.50
Jun	159.00	160.00	168.00 166.50

Turnover 45 (179) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1566	1520	1570 1558
Feb	1593	1558	1600 1575
Apr	1615	1597	1615 1598
Jul	1414	1405	1414 1408
BFI	1523	1518	

Turnover 711 (222)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	110.25	110.00	110.25 109.95
Mar	114.10	113.80	114.10 113.70
May	117.60	117.30	117.60 117.20
Jun	119.10	118.60	119.10
Barley	**Close**	**Previous**	**High/Low**
Jan	107.40	107.50	107.45 107.40
Mar	110.90	111.00	111.00 110.90
May	113.00	102.50	113.00

Turnover: Wheat 172 (253) , Barley 88 (353) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	415¼-415¾	229¼-230¼
Opening	414¼-414¾	229¼-229¾
Morning fix	413.85	229.343
Afternoon fix	414.6	229.251
Day's high	415¼-415¾	
Day's low	413¾-414¼	

Coins	$ price	£ equivalent
Mapleleaf	427-432	236-239
Britannia	427-432	236-239
US Eagle	427-432	236-239
Angel	426-431	235½-238½
Krugerrand	415-418	229½-231½
New Sov.	97½-98½	54-54¾
Old Sov.	97½-98½	54-54¾
Noble Plat	541.5-551	299.75-305.3

Silver fix	p/fine oz	US cts equiv
Spot	338.95	611.60
3 months	349.55	625.65
6 months	360.55	640.35
12 months	381.80	670.55

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	14.96	14.82	15.08 14.94
Mar	14.76	14.60	14.90 14.74
IPE Index	14.61	14.77	

Turnover: 2942 (3867)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	148.75	147.00	149.75 148.50
Feb	145.00	142.50	145.50 144.25
Mar	140.25	137.50	140.50 139.50
Apr	133.75	131.50	134.50 133.25
May	130.00	127.50	131.00 130.50
Jun	127.50	125.75	129.50 127.00
Jul	128.50	125.75	130.00 128.00

Turnover 6420 (5922) lots of 100 tonnes

US MARKETS

IN THE METALS, prices edged higher in quiet trading, reports Drexel Burnham Lambert. Lower dollar prices helped keep the markets firm. Platinum futures posted the largest advance by gaining 8 dollars in the January contract. Coffee futures continued to be the most active of the softs as prices rallied up to 160.00 in March. Profit taking elected sell stops late in the day to force prices down. The March contract closed at 155.94 up 51. Cocoa futures had no follow through from Tuesdays strong advance as prices met resistance at the 1530 level in March. Sugar prices fell 20 in light volume. In a surprise move, the grain markets all advanced. Corn futures started the rally with strong commercial buying, which turned into technical buying. Funds also added support. The soy complex saw professional type buying as the beans gained 9 cents in the January. Wheat prices were firm on strength in Kansas city with the Chinese announcing the tendering of 400,000 tons Wednesday evening. In the meat markets, strength in cash pork products lent support to the hogs, while an expected bearish monthly cold storage report weakened the bellies.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	415.3	414.0	416.5	415.0
Jan	416.6	415.3	0	0
Feb	418.8	417.5	420.2	418.2
Apr	424.3	423.0	425.5	423.8
Jun	429.7	428.4	430.6	429.3
Aug	435.3	434.0	0	0
Oct	440.9	439.6	442.0	442.0
Dec	446.5	445.2	448.0	445.4
Feb	418.8	417.5	420.2	418.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	542.4	535.8	545.5	541.0
Jan	538.4	530.8	542.5	535.0
Apr	532.4	524.3	535.0	528.5
Jul	529.4	521.3	532.0	528.0
Oct	528.4	521.3	534.0	528.0
Jan	530.9	522.8	533.5	533.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	611.6	609.3	613.5	612.0
Jan	613.1	611.4	0	0
Feb	618.0	616.3	0	0
Mar	623.0	621.3	625.5	622.5
May	633.4	631.6	636.0	633.0
Jul	644.1	642.3	646.0	644.5
Sep	654.7	652.9	657.5	654.5
Dec	670.1	668.3	674.0	671.5
Jan	674.4	672.6	0	0
Mar	685.7	683.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	160.20	158.90	161.50	159.50
Jan	150.60	149.50	151.85	151.50
Feb	142.60	142.50	0	0
Mar	135.60	136.00	138.50	135.00
May	125.50	126.90	128.05	125.30
Jul	121.70	122.60	124.00	121.80
Sep	118.90	119.30	120.00	120.00
Dec	116.40	115.80	118.50	116.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	16.29	16.15	16.46	16.27
Mar	15.87	15.75	16.04	15.83
Apr	15.62	15.53	15.75	15.55
May	15.50	15.43	15.60	15.43
Jun	15.42	15.36	15.33	15.30
Jul	15.38	15.31	15.46	15.20
Sep	15.34	15.21	15.40	15.28
Oct	15.35	15.19	15.35	15.35

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	5180	5147	5230	5165
Feb	5075	5045	5120	5065
Mar	4780	4754	4810	4770
Jul	4235	4199	4235	4190
Sep	4400	4319	0	0
Oct	4438	4389	4438	4438

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1516	1524	1536	1503
May	1497	1509	1518	1490
Jul	1498	1515	1509	1492
Sep	1500	1513	1513	1493
Mar	1521	1538	1530	1515
May	1536	1553	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	155.94	155.43	160.00	152.60
May	153.50	153.43	158.00	150.00
Jul	152.25	148.39	154.39	148.50
Sep	151.33	146.30	152.30	149.00
Dec	146.38	142.25	147.00	145.00
Mar	148.44	143.38	146.00	146.00
May	145.25	143.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	7.88	8.80	8.55	8.50
Mar	11.06	11.26	11.33	11.05
May	10.84	11.05	11.04	10.84
Jul	10.60	10.77	10.76	10.60
Oct	10.36	10.53	10.52	10.39
Jan	9.46	9.63	0	0
Mar	10.17	10.26	10.30	10.16
May	9.93	10.03	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.30	59.16	59.35	58.80
May	58.38	59.12	59.40	58.65
Jul	59.40	59.22	59.40	58.80
Oct	57.80	57.55	57.80	57.80
Dec	57.40	57.20	57.40	57.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	162.50	162.60	163.15	161.80
Mar	162.35	162.10	163.00	162.10
May	163.00	163.05	163.25	161.60
Jul	163.35	163.00	163.35	162.50
Sep	162.45	163.00	163.10	163.10
Nov	161.90	161.45	0	0
Jan	160.75	160.75	0	0
Mar	160.75	160.75	0	0
May	160.75	160.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 20	Dec 19	mnth ago	yr ago
1941.4	1919.0	1839.5	1697.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	142.22	139.66	132.49	132.60
Futures	146.02	144.58	136.31	134.94

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	795/4	786/4	799/0	773/0
Mar	810/0	800/4	814/0	787/0
May	820/4	809/6	823/4	798/4
Jul	822/4	811/4	827/0	800/0
Aug	811/0	800/6	814/0	787/0
Sep	756/6	749/6	758/0	738/0
Nov	717/6	711/6	720/0	700/0
Jan	726/4	720/0	731/0	716/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	23.56	23.21	23.76	23.01
Mar	24.12	23.75	24.27	23.48
May	24.62	24.29	24.82	24.00
Jul	25.05	24.75	25.26	24.50
Aug	25.12	24.85	25.25	24.70
Sep	25.17	24.90	25.37	24.80
Oct	25.25	25.02	25.35	24.83
Dec	25.30	25.05	25.40	24.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	255.7	254.1	256.5	249.1
Mar	257.2	254.7	258.0	250.0
May	255.2	252.2	256.5	247.5
Jul	251.2	247.2	252.0	243.0
Aug	241.0	239.5	245.0	238.0
Sep	231.5	230.0	232.0	228.5
Oct	216.2	215.4	216.5	210.0
Dec	211.7	210.5	212.5	207.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	284/6	280/0	285/0	277/0
May	289/6	284/6	290/0	282/0
Jul	292/4	288/6	292/6	284/2
Sep	276/0	270/2	276/0	269/2
Dec	271/0	264/2	271/0	262/0
Mar	276/0	270/0	276/0	270/0
May	279/0	0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	438/6	437/2	439/4	433/0
May	429/2	426/0	430/0	421/4
Jul	393/4	393/2	394/6	389/0
Sep	397/4	398/2	399/0	395/4
Dec	406/4	406/0	406/4	403/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	73.80	73.30	73.85	72.90
Apr	75.32	74.92	75.50	74.62
Jun	73.87	73.42	73.95	73.25
Aug	71.35	71.10	71.45	70.80
Sep	70.60	70.60	0	0
Oct	70.47	70.25	70.65	70.10
Dec	71.45	71.15	71.45	71.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	46.42	46.15	46.57	45.85
Apr	45.20	44.88	45.35	44.65
Jun	49.45	49.47	49.50	49.10
Jul	49.65	49.55	49.70	49.20
Aug	49.02	48.85	49.12	48.65
Oct	45.37	45.35	45.55	45.10
Dec	46.50	46.65	46.65	46.45

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.17	45.52	45.50	44.50
Mar	45.75	45.92	45.85	45.00
May	47.32	47.55	47.40	46.55
Jul	48.45	48.75	48.65	47.90
Aug	47.65	47.75	47.90	47.10
Feb	60.92	60.85	60.92	59.65
Mar	60.92	60.92	0	0

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LONDON STOCK EXCHANGE

Festive markets await Trade Figures

THE COUNTDOWN to the Christmas holiday began to take effect in the London stock market yesterday. Only the prospect of Friday morning's announcement of the UK November trade figures kept some market makers alert at their posts.

The warning on inflation in the industrialised nations from the Organisation for Economic Cooperation and Development (OECD) made for a dull opening in UK equities, and share prices drifted for the rest of the session. Interest was concentrated around a very few specialist situations.

A rise in Consolidated Gold Fields coincided with Expiration Day in London's Traded Options market, where Gold Fields share options have been widely traded since well before Minorco first put the company in the takeover arena.

THE OECD's view that Britain and the US, as well as several other trading nations, should pursue fiscal restraint so as to combat inflationary pressures, contrasted with the London market's optimistic reception of latest domestic economic data. Lower bank lending and wage growth statistics have encouraged hopes that the UK Government's high interest rate policy may be beginning to curb consumer spending.

However, many equity sectors were hardly tested yesterday. The market steadied from its mid-session low to close with a net fall of 4.8 on the FT-SE Index to 1772.6. While Seaq volume remained relatively high at 465m, against 445.7m on Tuesday, dealers were unimpressed.

Genuine investment business was hard to find by lunchtime. Much of the trade yesterday reflected shuffling of trading books between market makers who have no intention of being caught with large positions when the UK trade figures hit the London stock market barely a couple of hours before it closes for Christmas.

With the US dollar making hardly any move yesterday, there was little activity in London's blue chip exporter stocks, most of which ended with small losses. Turnover in Glaxo, ICI and Unilever fell well short of the 1m. share mark. However, despite Wall Street's less positive lead, London saw some interest in such well-seasoned New York favourites as Hanson and Reuters.

Retail stocks continued to *hold up* well as the sector moved into the height of the Christmas selling period against a background of conflicting reports on trading in the major stores.

Plessey *returned* from temporary suspension to move higher after its failure to block the GEC/Siemens bid in the UK High Court;but with the European Commission yet to rule *on Community competition* law, Plessey shares remained below the bid price.

Account Dealing Dates			
*First Dealings:	Nov 28	Dec 12	Dec 26
Option Declarations:	Dec 8	Dec 22	Jan 12
Last Dealings:	Dec 9	Dec 23	Jan 13
Account Day:	Dec 19	Jan 9	Jan 23

*New time dealings may take place from 8.00 am two business days earlier.

Diverse views on Unigate

Speculation surrounding the future of Unigate shows no signs of abating. The dairy group's shares soared 15½ to 315p as nearly 5m shares changed hands amid feverish talk of break-up bids from either Danish or Swiss interests. Although Unigate has been a bid favourite for a long time, many dealers are convinced that an overseas offer for the company is imminent.

"The buying this week has been more serious than in the past, which suggests that something is definitely going on," said one excited marketmaker. "The rumours are gathering pace and with such remarkable turnover in the stock I think we can expect an announcement pretty soon," predicted another.

However, not everyone in the market is being swept up by bid fever. Mr Jerry Evans, foods analyst with County NatWest WoodMac, added a note of caution at those who think that Unigate's undoubted attractiveness as a target suggests a bid must be in the offing. "Too many people are putting two and two together and making five," he said.

NEI scramble

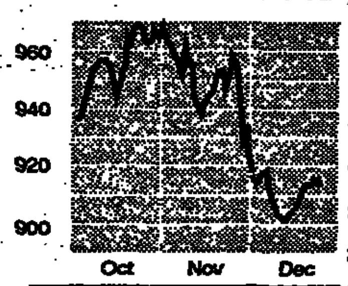
Disappointment that Rolls-Royce and Northern Engineering Industries have abandoned their attempt to get together was shown by a late fall of 15¼ to 11p in shares of NEI; hectic trading immediately following the news showed marketmakers' quotations enabling investors to buy stock from some traders at prices below selling prices shown by some competitors. Rolls-Royce lost only ¼ to 128¾p.

Shortly before the close of London trading the two companies announced that they had not been able to agree terms on which to establish further relationships and that talks had been discontinued.

There had been strong expectations in some sectors of the market that Sir Francis Tombs, chairman of Rolls and a former chairman of the Electricity Council, had his eye on the future power generation market and was pursuing a strategy towards an eventual full merger with NEI.

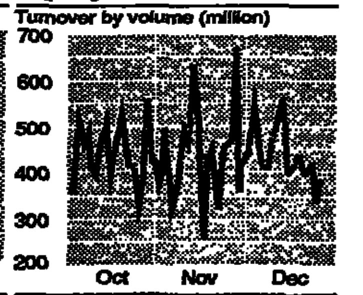
Analysts were agreed that the talks broke down on the basis of price and also took the view that an aggressive bid for NEI could well develop – "the company has obviously put itself up for sale by agreeing to these talks in the first place," observed one analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Rolls-Royce shares held up, dealers said, because break*down of the discussions* removed the threat of earnings dilution.

Plessey resume

Trading in shares of Plessey, the electronics giant currently under seige from a 225p a share joint bid from GEC and West Germany's electronics group Siemens, resumed yesterday. The shares were suspended at Pessey's request on Tuesday morning pending the outcome of a High Court case in which Plessey had claimed the GEC/*Siemens bid* was *against the* European Commission's rules on fair competition.

Standing at 210p before Tuesday's suspension, Plessey shares were re-quoted at an initial 215p to 218p and ran into sustained selling pressure, mostly carried out via the inter-broker dealer screens, and eased to 215½p before ending the session at 218p. Turnover was 4.2m shares.

Plessey remained at a discount to the bid price, dealers said, because the company has a number of other defensive routes to go down before the joint bid can succeed. These include a possible reference of the bid to the Monopolies and Mergers Commission by the *Office of Fair Trading* which is currently examining the bid, and an examination by the European Commission.

Following Plessey's failure in the High Court, the bidders are expected to issue the offer document soon. GEC fell 1½ to 188p after turnover of 3.9m.

A sharp rise in crude prices – "all to do with big buying of *oil futures*" – *boosted* Brent crude by some 35 cents a barrel and helped keep the oil share sector bubbling along.

Lasmo moved up 8 more to 480p after the recent spate of positive comment on the shares in the wake of the Enterprise stake sale; the latter managed a minor improvement at 471p. But turnover in both issues was well down on recent levels.

Dealers noted keen demand for Burmah from one US house late in the session with the shares closing 4 higher at 476p. Premier, recently boosted by a major oil find off the coast of Thailand and where Burmah holds a 25 per cent stake, also moved up late to end the session 3¼ firmer at 62½p. Bid speculation left Ultramar a further 9 higher at 286p, after 288p.

The downward pressure on International City Holdings, the money brokers, was maintained yesterday and the shares tumbled 13 to a 1988 low point of 59p; earlier this year they were as high as 198p. Marketmakers said the latest setback followed belated publicity on a sharp downgrading last week by Mr Phillip Gibbs of CL-Alexanders Laing & Cruickshank, who warned that trading conditions were poor and "further turmoil could arise from the resignation of chief executive, Mr Ron Vallance." Mr Gibbs slashed both profit and dividend estimates for the current year.

Another researcher to take a similar line is Mr John Chester, *sector analyst at* Warburg Securities. In his latest monthly commentary, Mr Chester is not as pessimistic as Mr Gibbs, but he has reduced his forecast of group profits to £8m hopefully, and predicts a total dividend payment of 5p net against 7½p last time. Mr Gibbs said of yesterday's movement: "This is an illustration *of how fragile sentiment is in* the sector".

Merchant banks picked up well, led by Hambros which continued to gain ground and closed a further 7 higher at 227p. Kleinwort Benson added 8 at 300p and Morgan Grenfell 3 at 298p. SG Warburg rose 4 to 279p with Hoare Govett's Mr Rod Barrett suggesting the shares could be one of the 1989's dark horses: "It stands at a discount to book and it owns 75 per cent of an impressive fund management business. The shares could come cheaper in the first quarter but our market views suggest a late run," says the Hoare researcher.

The Brewery sector was extremely quiet. Guinness was one of the few stocks to move. The company confirmed that it had bought another 500,000 of *its own shares on Tuesday at* 338.4p, but then announced that it was suspending its buy-in programme until the new year. Dealers immediately moved the share price down a net 4 to 334p.

Grand Metropolitan fell 3½ more to 420½p after touching as low as 418p at one stage. In the afternoon session, dealers said the stock looked firmer and had probably come off its low point. Sentiment was damaged by news of lower than expected profits at Pillsbury.

BICC rose strongly, closing 8½ better at 376p in the wake of a "buy" recommendation from Hoare Govett, the securities house, whose Mr Bob Pringle is forecasting a buoyant 1989 for the group. Hoare is looking for "earnings growth ahead of the market this year," and expects to see the shares back above the 400p level.

Among mixed and lightly traded Stores, W H Smith continued to be well supported, closing 2 firmer at 219p, while a revival of speculative interest in Storehouse helped the Conran group gain 3½ to 187p as a fraction short of 1m shares changed hands.

Stakebuilding in Camford Engineering sent the shares climbing. They put on 19 to close at 195p *after the company* issued a statement claiming an attempt was being made to acquire a substantial shareholding and advising shareholders not to sell pending clarification.

Confirmation of a management buy-out plan for Suter helped the shares put on 15 to 204p.

De La Rue, the security printers, was popular for the second day in succession and added 7 to 427p. Some traders think publisher Mr Robert Maxwell is seriously looking to pass on his stake

After Tuesday's excitement prompted by the news that Mr Robert Holmes à Court had acquired a 6.11 per cent stake, *shares of auctioneers Christies* International lost 14 on profit – taking to finish at 631p. Rival auctioneers Sothebys drew benefit from the limelight shining on this esoteric sector of the market and added 50 at 1090p.

Athough City traders do not expect a resolution of the tussle for control of Bestwood before the annual meeting next March, the shares are beginning to pick up momentum. They put on 5 to 56p yesterday, following an order for 100,000 shares late the previous night. The former chairman and chief executive, Mr Anthony Cole, is fighting to get back on board.

In a lethargic leisure sector, Chrysalis, the record company, stood out. The shares advanced 9 to 124p on news that the Californian record company, Geffen Records, has taken a 5.6 per cent stake. Dealers said this explained the recent rise in Chrysalis shares.

On the day when its partial cash offer for Bejam closed, Iceland Frozen Foods revealed that it already held 30 per cent of its target. Although most dealers thought it unlikely Iceland would pick up enough shares to succeed with its hostile 182p-a-share part cash bid, a late rally in Bejam shares – which recovered from a low of 147½p to close unchanged at 157p on turnover of 1.2m – hinted that Iceland may have bought more stock during the day. Iceland ended down 3 at 310p.

Geest were a good market, climbing 5 to 233p. A dealer said that the stock has been due a recovery since the Kuwait Investment Office reduced its holding to under 5 per cent earlier this month by selling 3½m shares, a move which knocked the stuffing out of Geest at the time.

Properties were in a sorry state, undermined by talk of dropping rental values and overcapacity in the City of London that is now thought to be much worse than originally feared. These worries took their toll on most developers, but once again Rosehaugh – one of the leading City developers – bore the brunt of the selling pressure, plummeting 30 to 469p.

Other stocks to suffer were Speyhawk, down 9 at 288p, Greycoat, 7 easier at 393p, and Land Securities and MEPC, both 6 lower at 538p and 518p respectively. One of the few stocks to show any strength was Sheafbank, 3 better at 41p after revealing it has joined forces with the pension fund of electronics group Philips to set up a joint venture company to invest in *commercial* property.

Contrary to most expectations, Compass Group managed a small premium when first-time dealings closed yesterday. With only 68 per cent of the offer-for-sale of 24.7m shares at 245p each taken up, a discount had been widely forecast. However, after failing to 242p, shares of the contract catering, health care and building services company moved up to end at 246p. Mr Richard Finch of Citicorp Scrimgeour Vickers thought the shares could open below the offer price and advised clients: "This would provide a good opportunity to buy a growth stock when it is out of favour".

Dealings in traded options were subject to the vagaries which encompass Christmas *and expiry day in individual* option stocks. Dealings were also noteable for trading in the FT-SE 100 index taking a slighter part of overall dealings than has been their wont of late. The index options expire on December 30. Total dealings came to 35,672 contracts, lying in 26,672 calls and 9,390 puts. Matched index trading accounted for 3,680 contracts, made up of 2,184 calls and 1,496 puts. Sears ran away from the field, with 3,906 call contracts handled, including an opening of interest of over 1,000 contracts in the March 130s and a cut of 500 contracts in the March 140s. A number of other individual stocks were heavily traded, in spite of the modest size by recent standards of overall dealings.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (17).
AMERICANS (1) GATX, CANADIANS (1) Hudson's Bay, BANKS (1) C'hgn. Hbk., CHEMICALS (3) Perstorp 'B', Rentokil, ELECTRICALS (2) Ericsson (L.M.), Polytechnic Elec., ENGINEERING (1) Westland, FOODS (2) BSN, Low (W.), INDUSTRIALS (2) Avdel, Sothebys Hldgs. 'A', TRUSTS (3) Korea Europe, M. & G. Dual Inc., Murray Smlr. Mkts. 'S', OILS (1) Norsk Hydro, THIRD MARKET (1) Kromagraphic.
NEW LOWS (42).
CANADIANS (2) ABM Gold, Danbus Memory, BREWERS (1) Bulmer (H.P.), BUILDINGS (1) Raskel, CHEMICALS (1) Croda Int'l., STORES (4) Dixons Grp., S. & U. Stores, Summer Int'l., Ward White Cv. Pf., ELECTRICALS (3) Crystalate, Nokia Corp., Ross, FOODS (4) Bejam, Budgens, Northumbrian Foods, Ptarmigan Hldgs.,
INDUSTRIALS (8) Avon Rubber, Keep Tst., NMW Comp., Parkfield Grp., Quotient, Sharp & Law 8½pc Cv. Pf., Talbex, Tech. Project Serv., NEWSPAPERS (2) Int'l. Bus. Comms., Southnews, PAPERS (2) Filofax, Ketson, PROPERTY (6) BHH Grp., Cussins Prop. Grp., Moorfield Ests., Rockfort Grp., Rosehaugh, Savills, TEXTILES (1) Mackay Hugh, TRUSTS (1) Throgmorton Tst., OILS (1) Southwest Res., MINES (4) ERGO, Elsburg, Western Areas, Acorn Secs., THIRD MARKET (1) Far East Res.

FINANCIAL TIMES STOCK INDICES

	Dec. 21	Dec. 20	Dec. 19	Dec. 16	Dec. 15	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.28	87.26	87.01	86.85	86.54	88.10	91.43 (18/4)	86.18 (14/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.10	95.15	95.06	95.15	95.99	94.70	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1435.0	1436.3	1434.8	1436.0	1427.3	1419.4	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	164.7	162.9	163.0	163.1	170.7	304.4	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Di. Yield	5.12	5.11	5.12	5.12	5.14	4.39
Earning Yld %(full)	12.94	12.91	12.95	12.93	12.89	10.98
P/E Ratio(Net)(*)	9.32	9.35	9.31	9.33	9.39	11.17
SEAQ Bargains(5pm)	18,582	19,257	18,634	19,057	19,191	20,997
Equity Turnover(£m)†	-	893.76	831.53	893.13	886.61	1060.78
Equity Bargains†	-	19,284	18,749	19,289	18,365	24,529
Shares Traded (mil)†	-	379.2	333.4	410.4	383.4	569.0

Ordinary Share Index, Hourly changes

●Opening	●10 a.m.	●11 a.m.	●12 p.m.	●1 p.m.	●2 p.m.	●3 p.m.	●4 p.m.
1435.5	1438.1	1434.9	1434.8	1434.8	1434.5	1434.6	1434.9

DAY'S HIGH 1438.7 DAY'S LOW 1434.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.28 †Excluding intra-market busi n

● S.E. ACTIVITY

Indices	Dec. 20	Dec. 19
Gilt Edged Bargains	98.1	96.9
Equity Bargains	125.0	121.5
Equity Value	1808.5	1680.7
5—Day average		
Gilt Edged Bargains	103.4	102.4
Equity Bargains	123.0	125.4
Equity Value	1779.9	1764.7

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Rothmans	92	416	+1
Royal Bk. of Scotland	1,509	347	+2
Royal Insurance	1,809	385	-3
STC	1,400	263½	-½
[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Board posts at NEI

■ Mr Graeme Anderson, executive deputy chairman of NEI retires and becomes a non-executive deputy chairman from January 1. Dr Bob Hawley has been appointed managing director (operations) - he is managing director, power engineering group. Mr Peter Lockton joins the main board and becomes managing director, international and projects engineering group. He was managing director, NEI Power Projects, where he is succeeded by Mr Mike Bickell. Also joining the main board is Mr *Andrew Perkins*, who takes over as managing director, power engineering group. He is managing director of NEI Reyrolle where he is succeeded by Mr Graham Shepley. Dr Stan Jones takes Mr Shepley's post as managing director, NEI Electronics. Dr Tony Chitty has been appointed director of corporate engineering, succeeding Mr Philip Warner, who retires but continues as a consultant during 1989.

■ FINANCIAL TIMES has appointed Mr Colin Chapman *to the new post of development* director (broadcasting). He was editor and publisher of Financial Adviser.

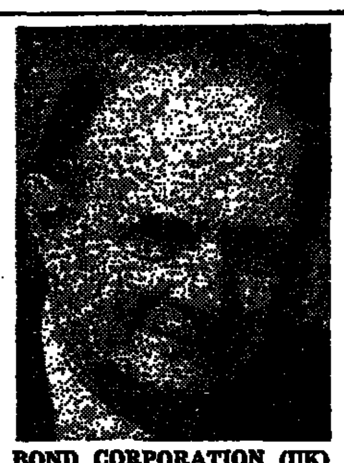
■ Four executives have been appointed to the board of the PRESS ASSOCIATION from January 1. They are chief executive Mr Ian H.N. Yates, *editor-in-chief Mr Colin Webb*, finance director Mr Richard Henry, and the managing director of UNS, a wholly-owned subsidiary, Mr Robert Simpson.

■ Mr Roy Firth, international director of PETER HAND (GB), part of Hillsdown Holdings Group, is to manage the company's new joint venture animal health products manufacturing complex in Nanning, capital of Guangxi autonomous region in China.

■ *Dr John Williams* has been appointed managing director of CRANFIELD INDUSTRIAL DEVELOPMENTS, part of the Cranfield Institute of Technology. He was director of the GEC-Marconi Research Centre.

■ From January 31 Mr R.T. Fox becomes chairman of the London advisory board of WESTPAC BANKING CORPORATION. Mr R.J. Dent becomes chairman of Mase Westpac, and will also join the London advisory board. Both posts were previously held by Mr D.L. Murison who is retiring.

■ Mr Adam Peat, an under secretary in the Welsh Office, has been *appointed chief* executive of HOUSING FOR WALES, which takes over the responsibilities of the Housing Corporation in Wales next year. He is head of the housing division in the department.



BOND CORPORATION (UK) has appointed Mr Michael Edwards as its deputy chief executive and a director. He was managing director of The Bell Group International and a director of Bell Resources. Previously, he was managing director of British Steel Corporation International.

The board has been completed with the appointment of Mr Jonathan Evans, a Cardiff solicitor, as deputy chairman; Mr Gilbert Lloyd, a Cardiff accountant, Mrs Ann Mainwaring, director of Retirement Care, Mr James Proctor, a retired North Wales businessman, and Professor Peter Williams, who holds the chair of housing management studies in Cardiff.

■ WATERMAN PARTNERSHIP HOLDINGS has appointed Mr Arthur Austin as a director from January 1.

■ *WATTS, BLAKE, BEARNE* has appointed Mr David Bowden as finance director. He is group finance director of Rowntree. He will be joining the company next March and will become finance director in May when Mr Dennis Norman retires.

■ Mr Robert Mundie has been appointed managing director of ROBERT WHITE & CO, stockbroking arm of Hill Samuel Investment Services Group, a subsidiary of the TSB Group. He takes over from Mr Roy Rutherford who has retired.

■ Mrs Mavis McDonald, director of administrative resources with the Department of the Environment, has been appointed a non-executive director with TARMAC's housing division.

■ Mr Arthur Orbell has been appointed technical director of OFTEL (Office of Telecommunications). He succeeds Mr Derick Tatham who has retired. Mr Orbell is general manager for corporate interconection policies at British Telecom.

■ Ms Maria Bencivenni has become a director of IBCA BANKING ANALYSIS.

■ WICKES has appointed Mr David Wood as group treasurer. He was formerly group treasurer with J. Rothschild Holdings.

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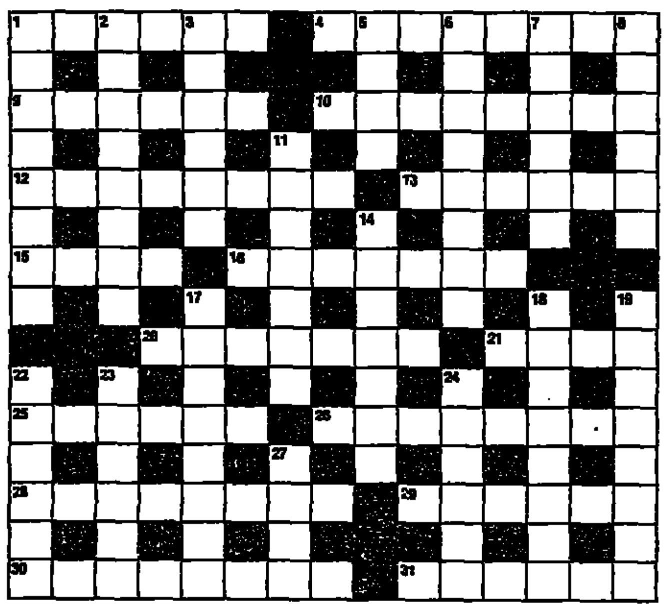
AUTHORISED UNIT TRUSTS

CROSSWORD

No.6,818 Set by TANTALUS



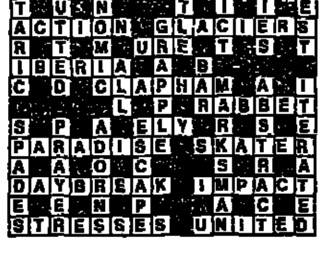
ACROSS

1 and 4 Eight chairs at a gathering for writer (6,8)
9 I enter factory that's easily modified (6)
10 Area shut perhaps for orchid display (8)
12 Fail to notice deliveries? Direct the eyes! (8)
13 Make a fuss of playing ecarte (6)
15 Clever stroke to point (4)
16 Steer to river competition (7)
20 Mistake in the garden? (7)
21 Cleaner in a rich aristocratic family (4)
25 Entice everybody to old city to the east (6)
26 Mishap causes Bill to go to police and specialist (8)
28 Being gullible, allowed songster to appear (8)
29 Maybe trace right bowl for mixing wine (6)
30 Buying a round with money in great surprise (8)
31 Aphrodite converted a ruin by the capital of Assyria (6)

DOWN

1 Come near to a very gentle swimmer (8)
2 It's eaten, cooked, with a liqueur (8)
3 Deal with outspoken composer (6)
5 Ambassador goes to jolly island (4)
6 Dividend concern (8)
7 Heard couple are able to find bird (6)
8 Very pleased with another tale by editor (6)
11 He was wise to be alone with Scotsman (7)
14 Extend a term of imprisonment (7)
17 Recital arranged about noon for music maker (8)
18 Forewarn a number going after heart transplant (8)
19 Rules made by Cartier going round island (8)
22 Sailor to obtain object (6)
23 Charge exorbitantly for wool (6)
24 The —— cracked from side to side (Tennyson) (6)
27 Boy accepts article is unprofitable (4)

Solution to Puzzle No.6,817



GUIDE TO UNIT TRUST PRICING

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TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants SP10 1RE 0264 62434

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	95.44	96.19	102.33	+0.28	2.06
Do Accum	6	102.44	103.24	109.83	+0.32	2.06
TSB Brit Growth	6	52.64	52.64	56.00	+0.30	3.62
Do Accum	6	55.08	55.08	58.60	+0.22	3.62
TSB European	6	52.30	52.30	55.64	+0.40	1.05
Do Accum	6	53.72	53.72	57.15	+0.62	1.05
TSB Extra Income	6	142.81	145.42	154.70	+0.04	6.23
Do Accum	6	183.06	187.71	199.69	+0.05	6.23
TSB Smaller Cos	6	48.93	50.92	54.17	+0.06	1.54
Do Accum	6	49.70	51.82	55.13	+0.06	1.54
TSB General	6	172.73	172.73	183.76	+0.59	3.46
Do Accum	6	298.99	298.99	318.07	+1.01	3.46
TSB Premier Income	5	47.00	47.47	49.45	+0.01	9.28
Do Accum	5	72.14	72.88	75.92	+0.02	9.28
TSB Income	6	254.96	254.96xd	271.23	+0.50	5.75
Do Accum	6	433.70	433.70xd	461.38	+0.85	5.35
TSB Pacific	6	209.42	212.58	226.15	+2.75	0.32
Do Accum	6	217.74	221.02	235.13	+2.86	0.31
TSB International	6	320.84	320.84	341.32	+2.99	0.87
Do Accum	6	405.41	405.41	431.29	+3.66	0.87
TSB Nat Resources	6	58.09	59.41	63.20	+0.40	1.70
Do Accum	6	61.57	62.97	66.99	+0.40	1.70
TSB Special Opps	6	74.96	75.90	80.69	+0.44	2.84
Do Accum	6	85.58	86.66	92.14	+0.50	2.84

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Eagle	5	61.15	61.15xd	65.37	-0.06	5.14
Australia	5	6.858	6.858	7.336	-0.05	0.10
Commodity	5	71.05	71.05xd	76.50	-0.50	0.65
Convertible	5	134.4	134.4xd	144.5	-0.6	5.29
Equity	5	143.8	144.3xd	155.3	+0.1	3.36
Euro Spec Sits	5	82.07	82.07	88.33	+0.48	1.54
Financial	5	29.19	29.19	31.40	-0.10	2.17
Global Opps Inc	5	53.61	53.61	57.74	-0.05	0.65
Global Opps Acc	5	54.01	54.01	58.17	-0.05	0.65
Gold Income	5	43.45	43.45	46.68	+0.30	0.00
Gold Acc	5	80.03	80.03	85.97	+0.50	0.00
Income	5	98.53	98.53xd	106.1	-1.3	4.78
Japan	5	126.5	126.5	136.2	+1.4	0.06
Pacific Inc	5	113.6	113.6	122.6	+1.4	0.06
Pacific Acc	5	141.0	141.0	152.1	+1.7	0.06
Preference Share	5	24.14	24.30	26.20	-0.04	7.67
Special Sits	5	85.21	85.21	91.75	-0.07	1.70
UK Capital	5	83.41	83.41	89.65	-0.48	1.74
World Income	5	50.48	50.48	54.25	+0.23	1.05

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Alliance Insurance Group - Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

Target Life Assurance Co Ltd

TSB Life Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	99	Treas 11½pc 1989	99	−	11.54	12.62
101	98	Treas 9½pc Cnv 1989	99	−	9.59	12.47
97½	95	Treas 3pc 1989	97	−	3.08	10.08
102	98	Treas 10½pc 1989	99	−	10.58	12.24
102	98	Exch 10pc 1989	98	−	10.12	12.08
103	98	Exch 11pc 1989	99	−	11.07	11.86
97	94	Treas 5pc 1986-89	96	.....	5.21	10.26
104	98	Exch 10¼pcCv '89	99	.....	10.34	11.27
107½	101	Treas 13pc 1990‡‡	101	−	12.77	11.21
104	99	Exch 11pc 1990‡‡	99	−	11.02	11.10
107	100	Exch. 12½pc 1990	101	−	12.32	11.21
93	90	Treas. 3pc 1990	91	−	3.28	9.85
99	95	Treas 8¼pc 1987-90‡‡	96	−	8.56	10.92
102	95	Treas. 8pc Cv 1990 ‡‡	96	−	8.25	10.17
103	97	Treas. 10pcCv 1990	98	−	10.18	11.10
91	87	Exch 2½pc 1990	87	−	2.84	9.45
107	100	Treas 11¾pc 1991	101	−	11.62	11.13
95	89	Funding 5¾pc '87-91‡‡	90	−	6.38	10.70
90	86	Treas. 3pc 1991	86	−	3.47	9.51
105	97	Treas 10pc Cv '91 ‡‡	98	−	10.10	10.49
107	98	Exch. 11pc 1991	100	.....	10.99	10.94
98	91	Treas. 8pc 1991	92	−	8.60	10.82
113	103	Treas 12¾pc 1992‡‡	105	−	12.09	10.65
104	96	Treas 10pc 1992	98	−	10.19	10.69
98	91¼	Treas. 8pc 1992 ‡‡	92	−	8.62	10.63
106	98	Treas 10½pc Cv 1992‡‡	99	−	10.55	10.65
86	81	Treas. 3pc 1992	82	−	3.66	9.15
112	102	Exch. 12¼pc '92	104½	−	11.72	10.70
117	106	Exch 13½pc 1992	108	−	12.43	10.64
97	91	Treas 8¼pc 1993	92	+	8.91	10.46
105	96	Treas 10pc 1993‡‡	98½	−	10.13	10.37
115	105	Treas 12½pc 1993‡‡	106	−	11.69	10.56
93	85¼	Funding 6pc 1993‡‡	86	+	6.98	9.75
121	110	Treas 13¾pc 1993‡‡	111	−	12.29	10.58

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
101	90	Treas. 8½pc 1994	92	.....	9.23	10.53
94	90	Treas 8½pc 1994 A	92	−	9.23	10.51
125	113	Treas 14½pc 1994‡‡	115	.....	12.54	10.50
120	109	Exch 13½pc 1994	111	−	12.11	10.62
105	96	Treas. 10pc Ln. 1994‡‡	98	−	10.14	10.34
116	106	Exch. 12¼pc 1994	107	.....	11.60	10.63
101	92	Treas 9pc 1994‡‡	94	−	9.53	10.28
114	104	Treas 12pc 1995	106	+	11.27	10.54
83½	77½	Exch 3pc Gas 90-95	79	.....	3.76	7.00
106	97	Exch. 10¼pc 1995	99½	+	10.30	10.36
120	109	Treas 12¾pc 1995‡‡	111	.....	11.46	10.41

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
44	41	Consols 4pc	43	−	9.13	−
40	37	War Loan 3½pc‡‡	39	−	8.89	−
62	48	Conv. 3½pc '61 Aft	61	−	5.71	−
33	30	Treas. 3pc '66 Aft	32	−	9.34	−
28	26	Consols 2½pc	27	−	9.07	−
28	26¼	Treas. 2½pc	27	−	9.11	−

Index–Linked

1988 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
124	117½	Treas 2pc IL '90(84.6)	123	−	1.17	3.75
105	99	Do. 2pc '92‡‡(97.8)	103	−	2.78	3.66
96	92½	Do. 2'94 (102.9)	95	−	3.25	3.78
142	127½	Do. 2pc '96(67.9)	139	−	3.39	3.71
121	103	Do 2½pc '01(78.3)	118	.....	3.54	3.80
118	101	Do. 2½pc '03(78.8)	115	+	3.61	3.84
120	102	Do. 2pc '06(69.5)	117	+	3.64	3.83
113	95	Do. 2½pc '09(78.8)	110	+	3.64	3.82
117	99	Do. 2½pc '11(74.6)	114	+	3.62	3.79
97	82	Do 2½pc '13(89.2)	95	+	3.62	3.77
105	88	Do. 2½pc '16(81.6)	102	+	3.60	3.75
103	87½	Do. 2½pc '20(83.0)	100	−	3.54	3.67
87	73	Do. 2½pc '24‡‡(97.7)	84	−	3.51	3.63

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1988:105.8 and for November 1988:110.0

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
109	100	African Dv Bk 11¼ Ln 2010	104	+	10.63	10.57
104	96	Asian Dev Bk 10¼pcLn2009	100	+	10.17	10.16
129	120	Australia 13½pc 2010	125	+	10.72	10.44
112	103	Do. 11¼pcLn2015	109	+	10.39	10.32
110	103	Euro Inv Bk 11pc Ln 2002	104	+	10.54	10.39
105	98	Do. 10¼pc2004	100	+	10.35	10.34
120	112	Int-Am Dev Bk 12½pc 2003	114½	+	10.92	10.50
98	91	Do. 9¼pcLn 2015	96	+	10.14	10.17
96½	86	Mlysia 10¼pcLn 2009	94	.....	11.46	11.53
121	87	Utd. Mexican States 16½pc 2008	120	.....	13.64	12.85

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	42	−3	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass	44	−1	3	16.67
45	33	Do 4pc Mixed Ass	45	.....	2	14.44
80	63	Hung. '24 Ass	65	−15	2.75	13.57
140	128	Hydro Quebec 15pc 2011	135	+	15.00	10.79
131	13	Iceland 14½pc Ln 2016	124	+	14.50	11.55
101¼	37	Ireland 9¾pc '91-96	94	+	9.75	10.75

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29½	22¾	Abbott Laboratories‡	26	+½	$1.20	−	2.6
649p	340p	♦Allegheny & W 1c	374p	−6	30c	−	4.4
14	862p	Amax $1	12¾	.....	40c	−	1.8
25	8	Amdahl 5c	10½	+½	10c	−	0.5
31½	22	Amer. Cyanamid $5	25¼	.....	$1.20	−	2.6
17	11¾	Amer. Express 60c	15	−½	84c	−	3.1
10	668p	Amer. Medical Int. $1	829p	.....	♦72c	−	4.8
17	13	American T. & T. $1	16	−½	$1.20	−	4.1
56½	44	Ameritech $1	53	.....	$5.40	−	5.6
19	15	Anheuser-Busch $1	17	+½	72c	−	2.3
10	360p	BankAmerica $1	980p	−6	−	−	−
24	16	Bankers N.Y. $1	20	.....	$1.86	−	4.9
43	34¼	Bell Atlantic $1	40	−½	$4.08	−	5.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14½	USX $1	15¾	−⅛	$1.40	−	4.9
141p	44p	♦Unilab	141p	.....	−	−	−
24⅞	17½	Utd. Technologies	22⅞	−¼	$1.60	−	3.9
163p	27p	♦Utilitech Inc	120p	.....	−	−	−
34⅝	26¼	US West‖	32½	.....	$3.52	−	6.0
24⅞	16⅞	Waste Management $1	22⅞xd	+⅛	48c	−	1.2
16⅞	12⅞	Whirlpool $1	13⅝	−⅛	$1.10	−	4.5
21	16⅜	Whitman Corp	17½	.....	96c	−	3.0
33	18¼	♦Woolworth $3½	27⅝	−⅛	$1.64	−	3.3

CANADIANS

1988 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	138p	♦ABM Gold Corp ‖	138p	−6	−	−	−
32p	7p	♦Abbot Energy Corp	7p	.....	−	−	−
14¼	882p	♦Amer. Barrick Res.	889p	+2	−	−	−
10p	2½p	♦Amer. Lightwave ‖	3p	.....	−	−	−
47p	7½p	♦Armeno	23p	−2	−	−	−
76p	32p	♦Augmitto Expln	32p	.....	−	−	−
14½	10⅝	Bk. Montreal ‖	12½	.....	$2.00	−	7.4
769p	514p	Bk. Nova Scot. ‖	667p	.....	76c	−	5.2
18¼	15¼	BCE ‖	17⅛	.....	$2.44	−	6.5
716p	527p	♦Bow Valley ‖	583p	−9	40c	−	3.1
13½	10½	♦Brascan ‖	12⅝	+⅛	88c	−	3.3
328p	177p	♦Breakwater Res.	194p	+3	10c	−	2.3

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
32	14	♦Int'l Media Comm. 5p	14		–			–
79	49	Juliana's Hldgs 2p	78	+1	12.85	1.4	5.4	15.3
46½	32	♦Kunick 10p	42	+1	♦1.0	2.4	3.3	16.3
193	122	LWT 5p	155		5.7	2.6	4.9	10.0
448	183	Land Leisure 10p	383	+1	♦8.0	4.6	2.8	10.2
*118	68	Leisure Inv 10p	95	+2	1.75	1.4	2.5	(28.9)
*112	64	Leisuretime Int 10p	89		–			–
440	295	♦Marina Dev. 50p	370		m2.0	3.5	0.7	72.7
218	156	Mecca Leisure 10p	158		4.5	♦	3.9	♦
127	79	Medminster 10p	117		3.67	2.6	4.4	11.7
182	126	Midsummer Leis 10p	172		2.8	♦	2.2	♦
460	200	♦Miss World 10p	428		8.0	2.6	2.5	20.9
62	32	♦Mollare Visions 50p	33	–1	–		–	19.0
155	120	Noble Raredon 5p	143	–2	h1.33	1.5	1.2	70.7
23	17	♦Omnicorp Inv NZ$0.5	20		Q2c	3.5	3.4	8.3
169	87	Orient Ex Hlds $0.125	118		–			–
[illegible]	61	Owners Abroad 3p	85	–2	g2.1	1.9	3.5	25.5
180	108	Pavilion Leisure 10p	108		–			–
211	55	♦P'dilly Radio NV 5p	166		3.25	♦	2.6	♦
264	175	Pickwick	226		12.6	2.9	1.5	29.6
*262	147	Pleasurama 5p	232		♦16.0	2.4	3.4	13.7
*233	135	Do. 7pcCrCmRedPf	212	–4	7%		4.4	–
150	114	Prestwich	119		1.25	7.5	1.4	12.7
142	78	♦Prism Leisure 10p	142	+1	4.46	2.5	4.2	12.0
*234	122	Quadrant Group 10p	214		F3.6	3.4	2.2	18.3
367	97	♦Radio City 'A' NV	320		6.0	♦	–	♦
270	89	♦Radio Clyde	238		5.75	2.9	3.2	14.4
610	494½	Really Useful Grp 5p	518	–2	15.0	2.3	3.9	15.2
239	164	Saga Group 20p	298		14.6	1.2	2.7	39.5
110	78	Scott. Ice Rink 2½p	84		–		–	–
439	343	Scott. TV 10p	370		♦17.0	3.0	–	7.3
15	10	♦SelecTV 10p	12½		–		–	–
63	28	♦Spectrum 5p	34	+5	–		–	26.4
292	197	Stanley Leisure	255		9.6	3.8	1.9	18.5

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £900 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls as trading thins

AS TRADING became very thin, in the run up to the Christmas holiday and the New Year, the dollar drifted down. In many cases books have already been squared off. It was noted that the commercial demand for the dollar seen on Tuesday was virtually non-existent yesterday.

In the absence of any market moving news, dealers were left to speculate on what might happen if the US Federal Reserve increases its discount rate.

Some sections of the market believe it could be another case of buy on the rumour and sell on the fact, suggesting the dollar will fall. Others said the currency could rise to DM1.79, but at this level would probably meet with selling by the West German Bundesbank.

A tightening of US monetary policy has been illustrated by a higher Federal funds rate of nearly 9 p.c. Expectation that the discount rate will follow has provided the dollar with support, but there were signs yesterday, notably in Tokyo, of growing market impatience at the lack of action by the Fed.

The Tokyo market tended to chase the dollar around, first driving it up to a peak of Y125.50 and then pushing the currency back down, as the early burst of short covering appeared to have been overdone.

Stop loss selling orders were triggered as the dollar fell back through Y125.00 to a low of Y124.20. That was the end of the day's activity, however. The dollar opened at Y124.50 in London and remained around that level for most of the day, before declining to Y124.30 at the close, compared with Y125.10 on Tuesday.

The dollar also fell to DM1.7695 from DM1.7760; to SFr1.4940 from SFr1.4980; and to FFr6.0450 from FFr6.0700. On Bank of England figures, the dollar's exchange rate index fell to 94.2 from 94.5.

There is unlikely to be any economic news to move the dollar this week, with data confined to yesterday's news on US personal income and consumption, and today's figures on durable goods orders.

A fall of 0.2 p.c. in November personal income and a rise of 0.6 p.c. in consumption were weaker than generally expected, but had no impact on the dollar.

Sentiment surrounding sterling was not improved by warnings about UK inflation and the balance of payments. The pound had a soft undertone, but hesitated to move very far ahead of tomorrow's trade figures.

Dealers noted that the criticism of the British Government's record on inflation and the trade deficit, by a House of Commons Treasury Committee, followed closely on warnings about the same subject from the Organisation for Economic Cooperation and Development.

Sterling rose to $1.8075 from $1.8020 against a weak dollar, but eased to DM3.1975 from DM3.2000; to Y224.75 from Y225.50; and to FFr10.9275 from FFr10.9375. The pound was unchanged at SFr2.7000.

Sterling's exchange rate index fell to 77.5 from 77.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5547	+2.58	+0.81	±1.5344
Danish Krone	7.85212	8.03428	+2.32	+0.55	±1.5404
German D-Mark	2.05853	2.07799	+0.95	-0.82	±1.0981
French Franc	6.90403	7.09810	+2.81	+1.04	±1.3674
Dutch Guilder	2.31943	2.34584	+1.14	-0.63	±1.5012
Irish Punt	0.768411	0.776777	+1.09	-0.68	±1.6684
Italian Lira	1483.58	1529.76	+3.11	+2.06	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.21	Latest	Previous Close
£ Spot	1.8040-1.8045	1.7965-1.7975
1 month	0.46-0.45	0.47-0.45pm
3 months	1.43-1.41pm	1.46-1.43pm
12 months	4.68-4.58pm	4.78-4.68pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Dec.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8010 - 1.8090	1.8070 - 1.8080	0.47-0.44cpm	3.02	1.48-1.43pm	3.22
Canada	2.1620 - 2.1750	2.1715 - 2.1725	0.46-0.36cpm	2.27	1.05-0.89pm	1.79
Netherlands	3.60½ - 3.62	3.60½ - 3.61½	2¼-2cpm	7.06	6¼-6pm	6.79
Belgium	66.90 - 67.15	67.00 - 67.10	32-27cpm	5.28	88-80pm	5.01
Denmark	12.35¼ - 12.38¼	12.37¼ - 12.38¼	5¼-4¾orepm	4.61	14¾-14pm	4.65
Ireland	1.1935 - 1.1975	1.1950 - 1.1960	0.55-0.45ppm	5.02	1.45-1.35pm	4.68
W. Germany	3.19¼ - 3.20¼	3.19½ - 3.20	2-1¾pfpm	7.27	5¾-5½pm	7.04
Portugal	264.30 - 266.10	264.50 - 265.50	22-60cdis	-1.86	70-163dis	-1.76
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 67.20-67.30. Six-month forward dollar 2.89-2.84cpm 12 months 4.88-4.78cpm

STERLING INDEX

	Dec.21	Previous
8.30 am	77.6	78.0
9.00 am	77.7	77.9
10.00 am	77.6	77.9
11.00 am	77.5	77.9
Noon	77.5	77.8
1.00 pm	77.6	77.8
2.00 pm	77.6	77.8
3.00 pm	77.6	77.8
4.00 pm	77.5	77.8

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.15-37.25.

CURRENCY RATES

Dec.21	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	6.50	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	4	[illegible]	[illegible]
Belgian Franc	7.75	[illegible]	[illegible]
Danish Krone	7	[illegible]	[illegible]
Deutsche Mark	3½	[illegible]	[illegible]
Neth. Guilder	4½	[illegible]	[illegible]
French Franc	9½	[illegible]	[illegible]
Italian Lira	12½	[illegible]	[illegible]
Japanese Yen	2½	[illegible]	[illegible]
Norway Krone	8	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	8½	[illegible]	[illegible]
Swiss Franc	3½	[illegible]	[illegible]
Greek Drach	20½	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*All SDR rates are for Dec.20

CURRENCY MOVEMENTS

Dec.21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.5	-14.6
U.S. Dollar	94.2	-13.1
Canadian Dollar	84.2	[illegible]
Austrian Schilling	135.3	[illegible]
Belgian Franc	98.5	[illegible]
Danish Krone	89.1	[illegible]
Deutsche Mark	143.2	[illegible]
Swiss Franc	167.0	[illegible]
Guilder	131.5	[illegible]
French Franc	69.8	[illegible]
Lira	45.8	[illegible]
Yen	251.0	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Dec.20

OTHER CURRENCIES

Dec.21	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	50.60 - 50.85	28.10 - 28.20
U.A.E.	6.6250 - 6.6310	3.6725 - 3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec.21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.808	3.198	224.8	10.93	2.700	3.610	2383	2.172	67.05
$	0.553	1	1.769	124.3	6.045	1.493	1.997	1301	1.202	37.09
DM	0.313	0.565	1	70.29	3.418	0.844	1.129	735.8	0.679	20.97
YEN	4.448	8.043	14.23	1000.	48.62	12.01	16.06	10467	9.662	298.3
F Fr.	0.915	1.654	2.926	205.7	10.	2.470	3.303	2153	1.987	61.34
S Fr.	0.370	0.670	1.184	83.26	4.048	1	1.337	871.5	0.804	24.83
H Fl.	0.277	0.501	0.886	62.27	3.028	0.748	1	651.8	0.602	18.57
Lira	0.425	0.768	1.359	95.54	4.645	1.147	1.534	1000.	0.923	28.50
C $	0.460	0.832	1.472	103.5	5.032	1.243	1.662	1083	1.	30.87
B Fr.	1.491	2.696	4.770	335.3	16.30	4.027	5.384	3509	3.239	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short covering boosts bonds

THERE WAS little movement in prices of interest rate contracts on Liffe yesterday as, in common with many other markets, trading volumes were thin.

Figures on US personal income and consumption do not usually produce any strong reaction, and the November data were no exception. Personal income was expected to rise slightly, but it fell, while the rise in spending was within the range of most forecasts.

March US Treasury bonds opened at the day's low of 89-08 on Liffe, but short covering in US markets led to a late rally in London, with the contract closing just below the day's high, at 89-20, compared with 89-18 on Tuesday.

Sterling based contracts were depressed by a gloomy report on the UK economy by the OECD. Short sterling futures lost Tuesday's gains, but closed above the day's low.

Covering of short positions, ahead of tomorrow's trade figures, appeared to help long gilt futures close slightly higher on day, but volume was low and the market remains very cautious.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 490 Puts 303. Previous day's open int. Calls 17038 Puts 13095

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 28 Puts 2. Previous day's open int. Calls 2046 Puts 3805

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 0 Puts 6

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 42 Puts 3744

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 20 Puts 50. Previous day's open int. Calls 4975 Puts 5968

LIFFE SHORT STERLING

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 271 Puts 390. Previous day's open int. Calls 37140 Puts 31405

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls 289,739 Puts 256,206. Previous day's volume: Calls 16,168 Puts 26,286

LONDON SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls n/a Puts n/a. Previous day's open int: Calls 22 Puts 199

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 9844 (18547). Previous day's open int. 28763 (28530)

7-10 YEAR 9% NOTIONAL GILT	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 0 (0). Previous day's open int. 18 (18)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 120 (264). Previous day's open int. 427 (450)

THREE MONTH STERLING	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 12359 (21159). Previous day's open int. 38516 (36166)

FT-SE 100 INDEX	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 4283 (3082). Previous day's open int. 17401 (17446)

THREE MONTH EURODOLLAR	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 2581 (6779). Previous day's open int. 34953 (34967)

US TREASURY BONDS 8%	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 1988 (4658). Previous day's open int. 7712 (7306)

6% NOTIONAL GERMAN GOVT. BOND	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 3181 (4644). Previous day's open int. 10479 (10353)

POUND-$ (FOREIGN EXCHANGE)				
Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8075	1.8030	1.7930	1.7789	1.7565

IMM-STERLING	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)	Latest	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX	Latest	High	Low	Prev.
Mar	281.00	281.30	280.85	281.30
Jun	284.00	284.20	283.90	284.25
Sep	287.00	-	286.70	287.05

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
GOLD P	$420	17	9.20 A	-	-	-	-	$415.20

Series		Jan. 89 Vol	Jan. 89 Last	Feb. 89 Vol	Feb. 89 Last	Mch. 89 Vol	Mch. 89 Last	Stock
EOE Index C / EOE Index P / $/FI C / $/FI P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Series		Jan. 89 Vol	Jan. 89 Last	Apr. 89 Vol	Apr. 89 Last	Jul. 89 Vol	Jul. 89 Last	Stock
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AEGON C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AHOLD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMEV C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMRO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUHRMANN-T C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELSEVIER C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GIST-BROC. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEINEKEN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOGOVENS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT.NED. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROBECO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNILEVER C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VAN OMMEREN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WESSANEN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 21,543

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AIB - Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	13	Dunbar Bank PLC	13	Roxburghe Guarantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc	13	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Prtrs	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bank	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co	13		
Berliner Bank AG	13	Hongkong & Shangh.	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd	§13.95		
Citibank NA	13	Mount Banking Corp	13		
		Nat Bk of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.22%. Sweeper 8.47%. Top Tier-£10,000+ instant access 11.72% § Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%

MONEY MARKETS

Renewed worries

INTEREST RATES turned higher on the London money market yesterday, after less encouraging forecasts about UK inflation and the balance of payments deficit.

A warning about inflation in the latest OECD economic outlook was followed by a report from the House of Commons Treasury Committee expressing concern at the Government's failure to bring inflation down to forecast levels.

The OECD forecast that Britain's payments deficit will worsen next year and in 1990 added to the upward pressure on rates.

UK clearing bank base lending rate 13 per cent from November 25

Three-month interbank, which had fallen on Tuesday as a result of better than expected money supply and bank lending figures, rose to 13$\frac{1}{16}$-12$\frac{15}{16}$ p.c. from 12$\frac{15}{16}$-12$\frac{13}{16}$ p.c. After a general improvement in sentiment on Tuesday, fears returned about further base rate increases.

The Bank of England initially forecast a money market credit shortage of £250m, but revised this to £200m at noon, and provided total help on the day of £262m.

Before lunch the authorities bought £97m bills outright, by way of £65m bank bills in band 1 at 12⅞ p.c., and £32m bank bills in band 4 at 12⅞ p.c.

Another £105m bank bills were purchased in the afternoon, in band 1 at 12⅞ p.c. Late assistance of around £60m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £180m, with Exchequer transactions absorbing £5m, and a rise in the note circulation £155m. These factors outweighed bank balances above target of £70m.

In Frankfurt credit conditions remained comfortable, after a more generous than expected allocation of funds at the Bundesbank's securities repurchase agreement tender.

Call money eased to 4.45 p.c. from 4.50 p.c. on news that the Bundesbank had accepted bids of DM16.5bn for a 35-day pact, at a fixed rate of 5 p.c.

This resulted in a net drain of DM1.5bn, as an earlier agreement of DM18bn expired yesterday, but the central bank was expected to absorb up to DM5bn.

Dealers suggested the Bundesbank may have left the market relatively liquid because there is a substantial amount of tax to be paid before the end of the month. It is estimated that this could be as much as DM15bn, which will result in much tighter conditions feeding through to the market.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.21)	3 months US dollars		6 months US Dollars	
	bid 9¼	offer 9⅜	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Treasury Bills and Bonds

Prime rate	10½	One month	8.31	Three year	9.07
Broker loan rate	10¼	Two month	8.34	Four year	9.08
Fed. funds	8⅞	Three month	8.41	Five year	9.07
Fed. funds at intervention	-	Six month	8.56	10-year	9.04
		One year	8.65	30-year	8.97
		Two year	9.03		

Dec.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Dec.21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills; Average tender rate of discount 12.5634 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1988. Agreed rates for period December 26, 1988 to January 24, 1989, Scheme I: 13.27 p.c. Schemes II & III: 13.61 p.c. Reference rate for period November 1, 1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

BUSINESS LAW

Year of great expectations

By A.H. Hermann, Legal Correspondent

IF 1988 did not see any major changes in the rules according to which law games are played in the UK, it was at least the year when the Government finally admitted that something ought to be done about them.

Lord Mackay, the Lord Chancellor, got to work with Scottish vigour and there is now some real hope of reform in the organisation of courts which Lord Hailsham, his predecessor, contemplated for a decade without daring to upset the judges.

However, even now the opposition of the judicial lobby is quite effective, emasculating the proposals of the Civil Justice Review Body and retarding their finalisation. Instead of a much overdue streamlining of courts and decentralisation of the machinery of justice away from London, the official drafts foresee only shunting of cases between the county courts and the High Courts.

The need is for all civil cases to start in the county courts, near to the parties. Only a tiny percentage of actions ever comes to trial and there is no reason why the settlement could not be negotiated while the case rests in the county court registry. Of those which do require trial most could be decided in the county court and the rest moved on a one-way conveyor belt to the High Court. Similarly, proposals of court administered arbitration are not radical enough to help the growing congestion in the High Court.

Lord Mackay adopted a more daring posture when dealing with the profession. Its restrictive practices are likely to be severely pruned in the course of the next two years, and the result will be a gradual disappearance of the present differences between the bar and solicitors.

The public's frustration with the unintelligible drafting of statutes has finally infected solicitors. One of the Law Society's committees came with fairly radical proposals for reforming the way tax legislation is made and interpreted. It may all be a bug from the Soviet Union, but the tax lawyers seem to be actually clamouring for more glasnost.

The bankruptcy of the present statutory drafting was again demonstrated in the course of the year by the fiasco of the Financial Services Act. The Government seems to be on the point of replacing the maze of detailed rules by some 100 principles – still 98 too many.

The way substantive law is lagging behind the rapidly changing needs of society became evident in the course of two protracted litigations likely to go down in history as a 20th century revival of Dickensian law courts. The first of these dealt with the aftermath of the failure of the International Tin Council (ITC) to meet its debts to London banks and dealers, to the tune of some £900m. Throughout the year the courts remained unwilling – some of the judges say unable – to help the creditors against the sovereign debtors, the 22 governments forming the ITC.

The other court saga demonstrated how confused is the law concerning confidences and secrets, public or private alike. It was, of course, the Spycatcher case which brought to light an astonishing degree of disagreement between the top judges about some fundamental principles of English law. In the end, the Law Lords agreed that the public interest in confidentiality must be balanced by the public interest in free press and that the latter prevailed in the Spycatcher case.

The Government is now considering the possibility of avoiding such problems in the future by putting a copyright clause into the employment contracts of its secret agents. That may work nicely for the Spycatcher situation, but much more is needed – the mysteries of the common law on confidences and secrets, private as well as public, ought to be replaced by a rational code.

Following the Opren litigation and King's Cross Underground station fire of 1987, the shortcomings of the personal injuries litigation have again attracted attention in connection with the loss of life after the Piper Alpha oil rig explosion and the fatalities and injuries caused by the Clapham train collision.

While the Opren case demonstrated the staggering difference between compensation which victims can obtain in the US and in the UK, the Piper Alpha case ended with a fairly generous settlement made by the US operators who feared litigation in the US. No such threat will benefit the King's Cross and Clapham victims, though one would hope that political pressure will achieve a fairly quick settlement of claims. However, in the great multitude of accidents which do not attract public attention and where there is no chance of suing in the US, the victims suffer further through an ill-defined law, irrational tariff of compensation, and, above all, a procedure which can take as long as 10 years.

While English law provides for damages when death, injury or damage to property is caused by negligence, no such damages are available for economic loss. In recent years the House of Lords has moved towards liability for economic loss where there was a close proximity between the negligent operator and those who suffered economic loss, but this year the Law Lords seemed to have been rolling back the progress achieved on this front. The uncertainty, which also exists in the case of liability for omissions, could be easily removed by legislation but there seems to be none in sight.

Public frustration with the unintelligible drafting of statutes has finally infected solicitors – tax lawyers seem to be actually clamouring for more glasnost

In contrast with the stagnation on this front, the personal liability of directors, or prospective directors of companies about to be formed, has been increased substantially, both by the insolvency legislation and by the securities legislation. To take part in the formation of a new company requires circumspection and the once idyllic sinecure of executive directorships is now fraught with danger.

There have been a good many scares about insider trading. The law is strict but its application is difficult and slovenly. The view that the information must be obtained actively, expressed by one judge, was finally discarded in favour of the wider meaning: it is a criminal offence to trade in securities on the basis of inside information even if the trader received it without trying. Even so, the number of prosecutions is exceedingly small in spite of the fact that insider trading used to be the way of life in the City, as it still is in German banks; or perhaps this is the reason why prosecutions are so few and convictions almost unheard of.

The Lloyd's scandals rumbled on in 1988 but were somewhat overshadowed by the Guinness scandal, where directors were accused of paying big subsidies to those willing to jack up the price of Guinness shares to facilitate the takeover of Distillers whose shareholders were to be paid with Guinness shares. Criminal proceedings, as always in cases of City fraud, prove slow and difficult: and not only because the case has to be presented to a jury unfamiliar with the jungle, but also because the definition of the offence of fraud is obscured by numerous circumlocutions and by the untidy mix of common and statutory law.

The Government unveiled a great legislative programme in the Queen's Speech. The security services are to be put on a statutory basis – a development speeded up by the wide discussion of the activities of MI5 following the publication of Spycatcher and of other books on the same subject. There will be a reform of legislation concerning the care of children, tightening of measures against terrorists, and legislation to implement the Government's programme for education. Bills were announced for the privatisation of electricity, of the water industry, and of Scottish buses. And the Government promised that the next Companies Bill will speed up clearance of takeover bids and reduce administrative burdens on business. Accountants acting as auditors will be allowed to form limited companies and the State will assume responsibility for the licensing of auditors, though this is likely to be delegated to professional bodies.

Business lawyers are assured a lot of fun in 1989 – to which I add my best wishes.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO
4pm prices December 21

MONTREAL
4pm prices December 21

Total Sales 6,239,358 shares.

INDICES

NEW YORK — DOW JONES

	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2164.64	2166.07	2172.68	2150.71	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.71	88.67	88.44	88.48	91.25 (3/3)	86.12 (4/1)	-	-
Transport	962.91	965.17	970.90	960.95	965.17 (20/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.57	184.57	184.98	184.51	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2178.57 (2192.68) Low 2146.07 (2161.25)

STANDARD AND POOR'S	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.38	277.47	278.91	276.29	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	320.62	320.51	321.97	318.70	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.39	24.51	24.76	24.66	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.73	155.74	156.38	155.16	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	299.71	299.67	298.70	297.37	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	375.60	376.05	376.39	375.80	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 16	Dec 9	Dec 2	year ago (approx.)
Dow Industrial Div. Yield	3.73	3.71	3.79	3.50
	Dec 14	Dec 7	Nov 30	year ago (approx.)
S & P Industrial div. yield	3.22	3.15	3.21	3.31
S & P Indl. P/E ratio	12.73	12.80	12.64	16.39

TRADING ACTIVITY — † Volume (Millions)

	Dec 21	Dec 20	Dec 19
New York	147.250	161.090	162.794
Amex	9.550	12.090	11.710
OTC	(u)	138.500	131.177

NEW YORK	Dec 21	Dec 20	Dec 19
Issues Traded	1,992	1,993	1,960
Rises	648	643	839
Falls	794	837	598
Unchanged	550	513	523
New Highs	28	54	45
New Lows	43	30	34

CANADA — TORONTO

	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low
Metals & Minerals	3205.9	3146.8	3091.8	3066.0	3226.5 (5/7)	2238.7 (8/2)
Composite	3354.9	3331.0	3320.4	3303.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1690.42	1675.90	1672.75	1656.70	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	2,316,800	90¾	+ 1½	Bk of Boston	1,320,100	22¾	- ⅛
AT&T	1,953,600	29½	---	IBM	1,233,200	123	- ¼
Lilco	1,619,900	12¼	---	Exxon	1,220,000	45⅛	- ¼
General Electric	1,523,100	45⅛	- ⅛	Cummin Eng	1,212,908	57⅞	+ 6
Inco	1,340,500	26⅝	+ ½	Tacoma Bt	1,154,100	1/16	---

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 21 December 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Eng.	76.6m	830	+22	MHI	12.6m	1,010	+29
NKK	45.4m	985	+35	Toshiba	10.9m	1,050	-10
Sanyo Electric	27.9m	777	-7	Sumitomo Metal	8.9m	749	+18
Nippon Steel	18.7m	898	+18	Marubeni	8.3m	798	+21
Japan Line	16.8m	597	+21	Kawasaki Steel	8.2m	1,010	+10

World indices

	Dec. 21	Dec. 20	Dec. 19	Dec. 16	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1479.8	1462.1	1451.6	1447.3	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	670.6	659.3	654.0	653.8	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.3	221.1	218.7	217.9	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5500.10	5464.86	5410.4	5406.6	5500.10 (21/12)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	264.58	259.29	256.62	255.42	264.58 (21/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	718.2	719.1	723.0	727.0	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	397.6	395.0	394.0	393.4	397.6 (21/12)	251.3 (29/1)
Ind. Tendance(31/12/87)	153.3	152.0	150.8	150.5	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	545.51	549.05	541.23	536.57	549.05 (20/12)	396.40 (29/1)
Commerzbank (1/12/53)	1639.6	1649.8	1623.8	1610.6	1649.8 (20/12)	1207.9 (29/1)
DAX (30/12/87)	1321.01	1333.04	1315.98	1296.31	1333.04(20/12)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2633.09	2607.97	2611.84	2629.16	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	590.48	585.81	583.10	573.41	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29698.19	29567.94	29470.08	29536.71	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2289.56	2280.89	2276.02	2279.36	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	283.5	285.2	283.2	280.2	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	248.1	249.7	248.8	246.3	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	459.41	453.56	448.86	441.44	459.41 (21/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1014.41	1014.75	1007.85	1002.55	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1296.0‡	1289.0	1297.0	(c)	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1904.0‡	1905.0	1902.0	(c)	1906.0 (12/12)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	277.95	279.50	278.61	277.50	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3416.8	3399.3	3368.0	3378.5	3416.8 (21/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	589.0	587.6	583.1	582.4	591.6 (12/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	484.7	486.5	485.2	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 17: Japan Nikkei (c) and TSE (c)
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

AMEX COMPOSITE PRICES

4pm prices December 21

4pm prices December 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	16⅞	AAR	.44	1.8	17	278	24¼	24½	24½	– ⅛
10⅛	8½	ACM n	1.01	12.		218	8¼	d 8⅜	8⅜	+ ⅛
12⅛	10⅛	ACMIn	1.26a	12.		864	10⅝	10½	10½	– ⅛
10⅛	9⅛	ACM M	n.08e	.9		112	9⅝	d 9⅜	9⅜	– ⅛
12⅛	10⅛	ACMSc	n1.26	12.		940	10½	10⅜	10½	+ ⅛
10⅛	8½	ACMSp	n1.01e	12.		1132	8⅝	8⅝	8⅝	
5⅛	2⅞	AMCA	.12e	3.8		69	3⅛	3⅛	3⅛	– ⅛
6⅛	3⅞	AM Intl				1074	4⅞	4⅝	4⅝	– ¼
23¼	18⅛	AM Int pf	2	9.3		38	21½	21⅜	21½	
55	32⅝	AMR			9	2172	53¼	52½	53	
27	25	ANR pf	2.67	11.		1	25¼	25¼	25¼	
9½	5⅛	ARX			10	206	6	5⅞	6	– ⅛
51⅛	35¼	ASA	3a	7.9		439	38	37⅝	37⅞	+ ⅛
20⅛	12⅛	AVX	.12e	.7	12	67	16⅛	16⅛	16⅛	
52⅜	42⅞	AbtLab	1.20	2.5	15	3716	47⅜	46⅞	47⅜	+ ⅜
21⅛	15⅜	AbitiPri g	1			64	15⅝	15⅝	15⅝	+ ⅛
13⅞	7½	AcmeC	.40	4.8		366	9	8⅝	8⅝	
8⅞	5⅞	AcmeE	.32b	5.1	27	6	6¼	6¼	6¼	+ ⅛
29½	15⅛	Acusn			24	736	25⅞	25⅛	25⅞	+ ¼
17	14½	AdaEx	1.82e	12.		80	14⅞	14⅝	14⅝	
16⅞	7⅛	AMD			16	2447	8½	8¼	8⅜	– ⅛
43½	28¼	AMD pf	3	10.		91	30⅛	29⅝	29⅞	– ⅛
8½	4⅞	Adobe				37	6⅛	6⅛	6⅛	+ ⅛
18½	16⅛	Adob pf	1.84	11.		14	17½	17⅜	17½	+ ⅛
21⅛	19¼	Adob pf	2.40	12.		4	20⅜	20⅝	20⅝	– ⅛
9⅛	5⅞	Advest	.12	1.7	23	114	7⅜	7⅛	7⅛	
52½	39½	AetnLf	2.76	5.9	8	1388	47¼	46½	46⅞	– ⅛

Continued on Page 37

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 21

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

End-of-year enthusiasm fades as Dow dips

Wall Street

A QUIET day on Wall Street saw stocks dipping slightly lower on moderate volume and left market observers wondering whether the year-end rally is dead, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed down 1.43 points at 2,164.64. Volume was moderate with 147m shares traded on the New York Stock Exchange. Declining issues had an edge on advances by 795 to 649.

With the market failing to follow through from its solid gains last Friday and Monday, it looks as though it will drift to the end of the year, analysts said. Today is the last session with bargains settled before the end of the year so interest is already looking forward to the post-holiday period.

The release of US Personal Income and Personal Consumption figures for November had little effect on the market. Personal income fell by 0.2 per cent while personal consumption rose by 0.6 per cent. Both results were in line with market expectations.

The dollar was about Y124.55 in dull trading, down from Y125.33 late on Tuesday. The market appears to be focusing on the end of January and the inauguration of President-elect George Bush. One trader said "we're not trading now, we're just drifting. There's a lack of motivation on the traders' part." However, the volume of trading was thin, making the market particularly vulnerable to fluctuation.

The weakened dollar limited gains in the debt market and the Treasury's benchmark long bond was trading at 100⅞ with a yield of 8.935 per cent, little changed from the previous day. The Federal Reserve is arranging $2.5bn in customer repurchase agreements, and Fed Funds traded at 8¾ at the end of the day. Although the repurchase was higher than expected by some analysts, it is still thought that the new target level for the funds is 8⅝ to 8¾ following last week's tightening of monetary policy.

Honeywell, the US electronics group, dropped sharply by $2⅞ to $57⅛ after Tuesday's announcement that its losses for 1988 could top $400m because of heavy charges in the fourth quarter.

It was Honeywell's third piece of bad news since September and further damaged the company's shaky credibility on Wall Street. As late as June, the company was predicting sizeable year-end profits. However, in the third quarter the company had a pre-tax charge of $108m, more than double the expected size. Some analysts are now talking of the possibility of a takeover bid.

Fruehauf, the truck-trailer and containers company, registered one of the largest percentage drops of 29.1 per cent with shares off $⅞ at $2⅛ after announcing that it would restructure its debt and operations. Salomon Brothers closed at $24⅞, down $⅛, following the news that Moody's Investors Service had placed under review for downgrade the long-term debt rating for the firm. Shares in Shearson, Lehman Hutton traded at $18⅛, unchanged from Tuesday, following a similar announcement by Moody's.

Cummins Engine, the world's largest independent manufacturer of diesel engines, leapt $6 to $57⅞ on one of the highest volumes yesterday, amid rumours that Daimler-Benz of West Germany might be interested in acquiring the company. A spokesman for Cummins had no comment on the fact that the company's shares have been rising steadily all week from $48⅞ at Friday's close.

Bolt, Beranek & Newman, the diversified high technology corporation, dropped $2⅞ to $10⅛ after announcing that it expected to report a loss in second quarter earnings ending December 31 against a profit for the same period last year.

Canada

BASE metal issues led a broad-based rally in Toronto and most stocks closed higher. Higher nickel and copper prices boosted mining stocks, while the rising price of gold bullion in New York helped gold issues.

The composite index moved ahead 23.9 to 3,354.9 on active turnover of 34.1m shares.

EUROPE

Bourses come off boil in pre-holiday fatigue

MOST European bourses ran out of steam yesterday but Scandinavia continued to outperform, *writes Our Markets Staff.*

FRANKFURT came off the boil after reaching new 1988 highs on Tuesday, and shares generally ended weaker in sharply reduced turnover. The FAZ index fell 3.54 to 545.51 at midsession but analysts are not ruling out another push to new peaks before the year ends. The DAX index ended the day 12.01 lower at 1,321.03 and volume was a fairly low DM3bn after Wednesday's DM5.18bn.

The market was weaker from the start, with profit-taking particularly in cars and the "Holy Trinity" stocks Deutsche Bank, down DM5 at DM563, Daimler, off DM6 at DM735, and Siemens, DM5.50 lower at DM531.50.

Daimler showed little movement after hours in response to its supervisory board's approval of the plan to take a stake in MBB. It has been under pressure recently because of uncertainty about the MBB stake and a possible rights issue next year; the share has underperformed the market by 3.5 per cent this year and by 4.8 per cent in the last month, according to Citicorp Scrimgeour Vickers.

Steelmaker Hoesch moved higher against the trend, adding DM2.20 to DM191 after an optimistic statement about higher earnings and sales this year; the company also repeated its pledge to consider increasing its dividend from DM5 if net profits rise.

Elsewhere in the capital goods sector, Metallgesellschaft fell DM11.50 to DM333.50 after a strong run on the back of its projected 50 per cent rise in profits.

Chemicals, which have disappointed recently, held up fairly well, with Bayer off DM1.70 at DM306.30 and BASF down DM1.50 at DM283.80.

PARIS rose in a thin last session of the monthly account, with most position adjustment already complete. "People were sitting back on their hands and waiting for the festive season to get under way," said one analyst.

The opening CAC General index showed a 2.6 rise to 397.6 and the OMF 50 index rose 2.33 to 416.08. A reasonably positive OECD report on France underpinned sentiment in spite of Wall Street's fall on Tuesday. One house estimated volume at around FFr1.2bn, or less than Tuesday's FFr1.6bn.

Peugeot was strong again, rising FFr37 to FFr1,279.

L'Oréal performed well with a FFr166 gain to FFr4,215 on 8,500 shares. There was a rumour it might be planning to part company with subsidiary Synthélabo, up FFr23, or 6 per cent, at FFr405.

Foods group BSN advanced FFr20 to FFr6,000. It held an extraordinary general meeting to approve a 10-for-one stock split seen as putting the shares more within reach of the average investor; the company also forecast a 30 per cent rise in profits.

AMSTERDAM saw a quiet session disrupted by a telephone fault at several jobbing firms which led to a cessation of trading in the afternoon to prevent advantage to other dealers.

The trend was generally easier, although above the day's lows, with blue chips leading the way. The CBS all-share index fell 0.2 to 104.2 having dipped to 103.9 early on.

Royal Dutch fell a further Fl 2.60 to Fl 229.80 for a two-day drop of Fl 3.80 following Tuesday's ruling in the US that the company could not expect insurance companies to cover pollution clear-up costs.

Gist-Brocades, the bio-chemical concern, was suspended on downgrading its profits forecast for 1988.

MILAN ended off its highs in volume similar to or slightly better than Tuesday's provisional L183bn. The Comit index rose 4.67 to 590.48, only 3 points below its 1988 high, on further foreign buying.

Most blue chips were strong, as was telecommunications stock Italcable, which rose L400 to L12,300 on the view that the share swap terms proposed for the restructuring of the Stet group might be reconsidered. The proposal drawn up by independent experts has generally been regarded as unfavourable to Italcable shareholders.

STOCKHOLM reached an all-time high for the second consecutive day in brisk trade with a shortage of stock pushing prices up. The Affärsvärlden General Index rose 4.3 to 1,011.5 in volume of SKr405.8m.

Ericsson free B-shares rose SKr3 to SKr360 while Trelleborg went against the trend with a fall of SKr5 to SKr279.

OSLO closed at a third consecutive high for the year in heavy trading in spite of late profit-taking. The all-share index rose 5.86 to 336.99 in volume of NKr306.3m.

MADRID remained nervous about the economy and closed lower after nearly a week of steady rises. The general index fell 1.55 to 277.95.

Prime Minister Felipe Gonzalez's announcement that he wanted tripartite talks with unions and employers came too late to affect the market but analysts said inflation worries had depressed sentiment.

BRUSSELS improved slightly, helped by a shortage of stock in low volume as the market struggled to find a clear direction following Tuesday's gains.

Holding GBL, one of the most active stocks, rose BFr40 to BFr3,690 with some 10,650 shares changing hands.

ZURICH was little changed in subdued trade not helped by technical faults which deprived London of live SEAQ prices.

SOUTH AFRICA

PRECIOUS metal shares advanced in Johannesburg as the platinum price recovered slightly. Rustenburg and Impala each gained R1.75 to R46 and R35.25 respectively.

Stockholm wears crown in buoyant Nordic year

Robert Taylor gives a regional view of 1988

THE NORDIC stock markets have enjoyed a relatively glorious year. Last Friday – and again this week – Stockholm crowned its exceptional performance by hitting an all-time high, overtaking its previous best which occurred about two weeks before the October 1987 crash.

Throughout this year the Nordic bourses have been some of the most optimistic in the western world, with a rise of 50 per cent in Stockholm and 40 per cent in Copenhagen. Only Brussels, among European exchanges, has shown a comparable gain.

The bullish attitude in Stockholm is not difficult to understand. The Swedish economy is booming and the level of corporate liquidity among the big blue chips has been exceptionally high, stimulating a wave of profitable mergers and amalgamations. Property and building companies have made substantial advances this year in their market performance and so has the forestry industry, with Sweden's big electrical companies not far behind.

Stockholm took most of the year's events in its stride. The September general election result was better for the bourse than many had expected. The political instability that some had feared failed to materialise when the ruling Social Democrats were returned to power with their free market economic policies intact.

Mr Kjell-Olof Feldt, the Finance Minister, may have upset the options market with his so-called yuppie or turnover tax which comes into force on January 1, but his radical plans for tax reform announced in November caused hardly a frisson and generally met with favourable comment. This month's bullish mood was also helped by the flow of deposits into the mutual funds for tax purposes.

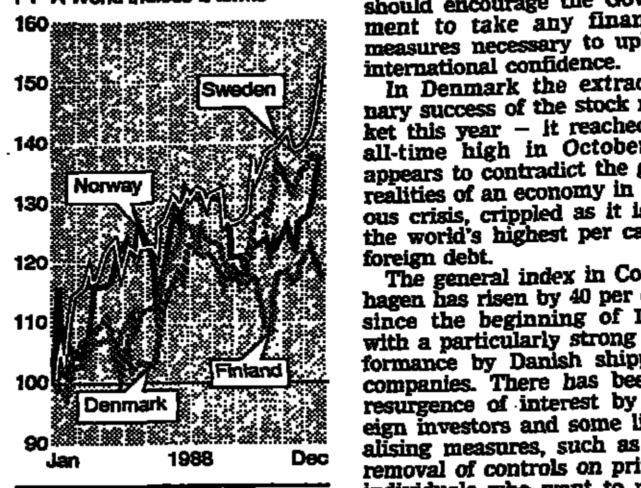
There are underlying worries about the overheating of the economy and next year's wage round, but these factors seem unlikely to cause a dramatic downturn in activity.

Mr Brian Knox, Nordic analyst with Kleinwort Benson Securities, points out that next year could see greater pressure on corporate profits caused by a deterioration in Sweden's relative competitiveness in its main export industries. He expects to see "a more ordinary performance" by the bourse during 1989.

However, much could depend on further liberalisation of the Swedish market in the next 12 months and on whether it will become easier for foreigners to invest in Sweden and for Swedes to invest abroad.

The outlook in Helsinki is far less predictable, as the stock exchange rally began to peter out last August. The

FT-A World indices £ terms



Finnish economy seems solid enough, with high company profitability, particularly in the forestry sector. Over recent months, however, foreign investors have shown less interest, partly due to concern about the American economy in 1989 but also due to government tax reforms, which involve a higher tax burden on larger companies.

"People are puzzled about the future," said one observer of the Helsinki exchange. Nevertheless, Finland still looks promising: in spite of recent stagnation, Helsinki is a third higher than a year ago.

In contrast Norway has been in the doldrums for much of the year. It took much longer than the other Nordic exchanges to recover its momentum after the global crash in October 1987. However, it is ending the year surprisingly strongly and with good prospects for next year.

The Norwegian Government's decision a fortnight ago to suspend the 1 per cent equity turnover tax appears to have had a beneficial effect on trading. Moreover, the economy appears to be recovering, with a fall in the rate of inflation, an improvement in the trade balance and lower interest rates.

Although underlying difficulties will not easily be resolved, political uncertainties appear to have lessened. Forecasts suggest there will be no change of power in September's general election which should encourage the Government to take any financial measures necessary to uphold international confidence.

In Denmark the extraordinary success of the stock market this year – it reached an all-time high in October – appears to contradict the grim realities of an economy in serious crisis, crippled as it is by the world's highest per capita foreign debt.

The general index in Copenhagen has risen by 40 per cent since the beginning of 1988, with a particularly strong performance by Danish shipping companies. There has been a resurgence of interest by foreign investors and some liberalising measures, such as the removal of controls on private individuals who want to raise loans in foreign currencies.

Whether the present Danish performance will continue, however, is another matter. There are fears that foreign bond holders will sell out, as the interest rate gap between West Germany and Denmark narrows, and worries about the apparent overvaluation of the Danish kroner.

However, the overall picture in the Nordic region looks buoyant for next year. The commitment for further liberalisation and deregulation in the money markets in preparation for 1992 should boost activity and provide greater access for foreign investors

Analysts doubt whether Nordic stock markets will repeat their successful 1988 performance, but many of them underestimated what was going to happen this year. For once, optimism may not be unfounded.

ASIA PACIFIC

Futures activity helps Nikkei move higher

Tokyo

A SHIFT of emphasis and a spurt of arbitrage activity helped lift share prices in weak volume in spite of dull and directionless trading overall, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fluctuated throughout the day, inching up in early trading, only to fall back in mid-afternoon.

Arbitraging by futures traders in an effort to lift the cash index before the expiry of December futures contracts on the Singapore International Monetary Exchange was said to have bolstered the index at the end of the morning session and towards the end of the day, helping the index to close up 130.25 at 29,698.19.

In spite of the gain in the index, declines outnumbered gains by 470 to 409. Turnover at 630m shares showed little change on Tuesday's 654m.

The Topix index of all listed shares rose 8.67 to 2,289.56. In London trading, the ISE/Nikkei 50 index gained 1.58 to 1,897.25.

"It was an encouraging performance for this time of year," said Mr Michael Law of Schroder Securities. Analysts agreed it was no surprise that the market was so quiet, with foreigners more or less absent for the holidays and many Japanese investors positioning themselves for the new year.

The Nikkei has hit 30,000 once this year, although that was due to the rather unexpected arbitrage activity of foreign brokers. "The 30,000 mark is a major goal for this market," said Mr Norio Watanabe of Credit Suisse Investment Advisory Co, "and it is perhaps better to leave it as a kind of wall that will take the market some time to overcome."

The yen's fall against the dollar yesterday, and a sharp overnight rise in oil prices gave investors some cause for concern. While the yen's weakness during the day led to profit-taking in electricals, which had been gaining in earlier trading, the strength of the dollar and the rise in oil prices were not enough to affect large capital issues or utilities.

Sony lost Y70 to Y7,070 while NKK, second in volume terms with 45.4m shares traded, rose Y35 to Y965. Sanyo Electric, third in volume terms at 27.9m shares, lost Y7 to Y777 and Nippon Steel finished up Y18 to Y898 in heavy trading. Mitsui Engineering and Shipbuilding topped the most actives list with 76.6m shares traded and gained Y22 to Y830, a new high for the issue.

The main impetus behind gains, however, appeared to be technical. The favourites were in sectors that have been popular for much of the year but neglected in recent sessions. Among them were property stocks, shipping issues and non-life insurance companies.

The shift from high-technology issues to large capital steels left share prices in Osaka somewhat weaker. The OSE average fell 50.60 to 27,795.65.

Roundup

THE FALL on Wall Street on Tuesday had little impact on Asia Pacific markets where domestic influences dictated the state of play.

AUSTRALIA rose sharply as higher metal and oil prices drove up equities for the third consecutive day in spite of the overnight fall on Wall Street.

Takeover situations also fuelled interest but volume was restricted by a lack of sellers. The All Ordinaries index rose 17.7 to 1,479.8 on turnover of 114m shares worth A$245m.

National Australia Bank, which goes ex-dividend today, rose 2 cents to A$6.58 with 5.56m shares changing hands.

HONG KONG finished stronger in thin trade with interest dampened by pre-holiday languor. Gains made towards the end of the day were prompted by expectations that today's government land auction would attract interest. There was also some confidence that Christmas sales in the US would boost electronic and toy manufacturers.

The Hang Seng Index rose 25.12 to 2,633.09 on volume of 490m worth HK$450m.

SINGAPORE saw widespread gains in the hotel sector but the rest of the market was quiet and mixed. The Straits Times industrial index eased 0.34 to 1,014.41.

TAIWAN fell sharply again, with the weighted index dropping through 5,000 to close at 4,980.77, a loss of 233.35.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 21 1988					TUESDAY DECEMBER 20 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (90)	143.94	+1.5	118.07	112.20	4.78	141.87	116.72	110.73	152.31	91.16	100.76
Austria (18)	96.77	+0.3	79.37	89.03	2.76	96.48	79.38	89.03	100.00	83.72	95.84
Belgium (63)	134.54	+1.1	110.36	123.43	4.10	133.14	109.54	122.63	139.89	99.14	97.54
Canada (125)	123.82	+0.9	101.56	107.64	3.37	122.76	101.00	106.76	128.91	107.06	111.34
Denmark (39)	156.14	+1.5	128.07	145.41	2.09	153.83	126.56	143.68	159.19	111.42	112.55
Finland (26)	129.57	+0.0	106.28	113.28	1.48	129.57	106.60	113.54	139.83	106.78	–
France (130)	110.42	+0.7	90.57	104.71	3.10	109.65	90.21	104.40	112.34	72.77	86.79
West Germany (102)	87.55	–0.2	71.81	80.54	2.34	87.77	72.21	81.04	88.26	67.78	77.13
Hong Kong (46)	109.01	+1.0	89.41	109.28	4.74	107.94	88.80	108.18	111.86	84.90	89.85
Ireland (18)	130.00	–0.4	106.63	121.30	4.15	130.45	107.33	122.22	144.25	104.60	104.73
Italy (98)	85.76	+1.3	70.34	83.36	2.43	84.63	69.63	82.67	86.73	62.99	78.55
Japan (456)	186.74	+1.0	153.17	146.79	0.51	184.85	152.08	146.17	190.93	133.61	142.78
Malaysia (36)	141.76	–0.1	116.28	147.63	2.85	141.93	116.77	147.56	154.17	107.83	109.69
Mexico (13)	160.40	+1.9	131.57	400.30	1.28	157.41	129.51	393.25	182.24	90.07	103.00
Netherland (38)	111.32	–0.3	91.31	101.49	4.86	111.61	91.82	102.13	112.38	95.23	98.92
New Zealand (25)	67.32	+2.2	55.21	56.03	7.05	65.85	54.18	55.68	84.05	63.32	74.14
Norway (25)	138.08	+3.1	113.26	122.90	2.36	133.98	110.23	119.71	138.08	98.56	100.77
Singapore (26)	120.36	+0.1	98.72	107.81	2.52	120.26	98.94	107.93	135.89	97.99	98.45
South Africa (60)	115.58	+0.0	94.80	97.17	4.75	115.52	95.04	96.57	139.07	98.26	133.44
Spain (42)	148.72	+0.4	121.99	128.50	3.18	148.16	121.90	128.69	164.47	130.73	133.10
Sweden (35)	144.97	+0.2	118.91	131.45	2.17	144.65	119.01	131.59	144.97	96.92	98.97
Switzerland (57)	76.56	+0.3	62.79	70.91	2.39	76.29	62.77	70.85	86.75	74.13	82.92
United Kingdom (315)	133.43	+0.1	109.45	109.45	4.91	133.35	109.71	109.71	141.51	120.66	132.61
USA (573)	112.89	+0.0	92.59	112.89	3.66	112.93	92.91	112.93	115.55	99.19	102.93
Europe (1006)	113.16	+0.2	92.82	99.12	3.78	112.88	92.87	99.23	116.61	97.01	104.39
Pacific Basin (679)	181.83	+1.0	149.14	143.74	0.73	179.96	148.06	143.09	185.81	130.81	139.08
Euro-Pacific (1685)	154.34	+0.8	126.60	126.04	1.64	153.12	125.98	125.68	158.08	120.36	125.25
North America (698)	113.46	+0.0	93.07	112.58	3.64	113.45	93.34	112.57	116.07	99.78	103.38
Europe Ex. UK (691)	100.25	+0.4	82.23	92.96	2.93	99.87	82.17	92.97	101.29	80.27	86.89
Pacific Ex. Japan (223)	123.04	+1.2	100.93	105.32	4.72	121.53	99.99	104.20	128.27	87.51	94.42
World Ex. US (1883)	152.90	+0.8	125.41	125.27	1.71	151.69	124.80	124.89	156.39	120.26	124.85
World Ex. UK (2141)	137.92	+0.6	113.13	122.26	2.06	137.12	112.81	121.97	139.61	111.77	114.76
World Ex. So. Af. (2396)	137.64	+0.5	112.90	121.19	2.29	136.90	112.63	120.95	139.52	113.26	116.24
World Ex. Japan (2000)	113.82	+0.2	93.36	107.55	3.75	113.64	93.50	107.53	115.54	100.00	103.70
The World Index (2456)	137.51	+0.5	112.79	121.03	2.30	136.76	112.52	120.79	139.43	113.37	116.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Amendments to indices for December 20 applied to the following : West Germany, the related regional indices and The World Index.
Austrian prices were unavailable December 21 due to technical problems at the Vienna Exchange.